

Small Scale Sector and Big Business

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FOREWORD

In January 1983 the Corporate Studies Group (CSG) brought out its first study in the Series: Studies in National Development. This is the second one.

By the very nature of the area of study one has to provide specific instances which bring in the names of the main actors on the economic scene. The citations, however, are illustrative and can in no way be taken as exhaustive. We have depended upon the data/information published by the companies and various official agencies. The primary objective of this study is to promote understanding of the sector and the developmental issues involved.

The studies by scholars at the CSG are based mainly on the data collected and compiled at the Corporate Information System for which the financial grant and support has been provided by the Indian Council of Social Science Research. We are thankful to Shri P.R. Dubhashi, Director and other colleagues at the Indian Institute of Public Administration for their active interest and support to the research efforts of the Corporate Studies Group. While all other members of the CSG, several friends and institutions, have extended their kind cooperation in completing this study, responsibility for the views and interpretations is that of the authors alone.

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New Delhi
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The Corporate Studies Group
Indian Institute of Public Administration

The Group comprises of the scholars involved in (i) the long-term Research Programme on Regulatory Administration of Private Corporate Sector in India, funded by the ICSSR; (ii) the research project Comparative Performance of Public Enterprises and Large Private Sector Companies funded by the Standing Conference on Public Enterprises (SCOPE); and (iii) the Research Project on Growth and Regulation of Foreign Private Capital in India Since Independence, funded by the Planning Commission. During 1984-85 the Group would also be involved in the research programme The Impact of Multinational Corporations on India's Position in the International Division of Labour to be funded by the IDPAD.

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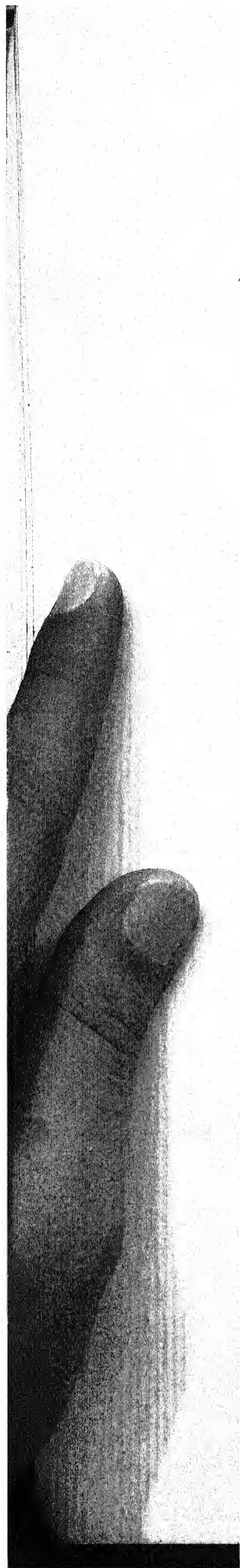
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CHAPTER - I

INTRODUCTION



The need for protection of cottage and rural industries from competition of imported goods and products of foreign large scale industries was an integral part of the ethos of India's struggle for independence.¹ The leaders of struggle for freedom were intimately involved with the problem of India's industrial development. Their concern was not only with the level of technology but also with the type of social production relations which subsisted in Indian industry. The need to protect rural industries, and the employment of workers and craftsmen who were engaged in traditional manufacturing activities was well recognized. These industries generally catered to local demand and were based primarily on raw materials locally available.² It appears that during the mid-'forties while there was a general agreement amongst the nationalist circles that rural and cottage industries need to be protected, there was also a feeling that counterparts of rural industries in urban areas (i.e. small scale enterprises) would also deserve similar support. It is perhaps on account of such historical reasons that even today the two categories of industries, rural and small scale, often get clubbed together in public discussions and in

1. Even as early as in 1902, the Indian National Congress identified the decline of indigenous arts and manufactures as one of the reasons for the poverty of the people and resolved that "practical steps, in the shape of State encouragement be taken for the revival and development of indigenous arts and manufactures and for the introduction of new industries." Cf. Zaidi, A.M. and Zaidi, S.G.(Eds.), The Encyclopaedia of the Indian National Congress, Volume Four: 1901-1905 -- On Road To Self-Govt., 1978, p. 411.
2. The National Planning Committee (the reports of which were submitted by Jawaharlal Nehru during 1945-49) resolved that

Considering the appalling poverty and helplessness of the people in the villages, on the one hand, and the vast amount of unoccupied time available for useful employment, on the other, industries concerned with the satisfaction of the primary needs of the rural population, e.g. manufacture of clothing, processing of food articles for the pursuit of which the people are equipped by long tradition, which engage large numbers at present, and which are capable of affording employment to much larger numbers, should be organised and developed by the State, as cottage or rural industries.

The National Plan should provide for the adoption of all measures necessary for relieving these cottage and rural industries from the stress of competition, and for facilitating the expansion of such industries to the desired size, while providing a living wage to the workers engaged in these industries.(emphasis added) Cf. Zaidi, A.M. and Zaidi, S.G.(Eds.), The Foundations of Indian Economic Planning, New Delhi, S. Chand, 1979, p. 570.

many a policy declaration.³ There is also the distinction between Khadi and other handicrafts within cottage industries and within small scale industries, between those based on manual labour only and those using power also.⁴

In addition to a distinction between rural and urban based small industrial units it was recognized that each category of activity needed specially designed set of support measures depending upon the specific nature of problems the industry faces. Hence, the constitution of special boards. While the first all India Board (namely, the All India Cottage Industries Board) was established in 1948, the number of such Boards had increased to six by 1954. The Boards constituted were: (i) the All India Handloom Board (1952), (ii) the All India Handicrafts Board (1952), (iii) the Central Silk Board (reorganised in 1952), (iv) the All India Khadi and Village Industries Board (1953), (v) the Small Scale Industries Board (1954), and (vi) the Coir Board (1954). But for the Small Scale Industries Board, all others are industry and activity specific. These Boards continue to discharge their specific responsibilities.

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3. For instance, the National Planning Committee, the Bombay Plan (1944), the Peoples' Plan (1946), Economic Programme Committee Report (1948) and the Government of India's Industrial Policy Resolution of 1948 do not draw any distinction between rural and small scale industries. Cf. Zaidi, A.M. and Zaidi, S.G. op. cit. pp. 343-589; Purshotamdas Thakurdas and others, A Plan of the Economic Development of India, 1944 and Banerjee, B.N. and others, Peoples' Plan, 1946 as reprinted in Young Indian, August 1972.
 4. Since Gandhiji identified Khadi as a symbol of India's national industry and focussed on the national freedom movement concentrating on the uplift of Khadi spinning and weaving as an honourable activity, there was also a dual current of thinking on industries in India. One set of opinion veered towards the view that India's salvation lay in promotion of handicrafts and cottage industries with as little use of machinery and power as possible, as these led to increased unemployment of people and deviated from the Gandhian ideals of simple living. But as the realities of industrial organisation in India were empirically understood many distinctions between industries came to be made on the basis of their geographical location--rural or urban; on their size and scale -- small, medium and large; the basis of modernization viz. whether using power or not; and on the basis of employment of family or wage workers viz. those registered under the Factory Act. These distinctions merely reflected the concerns of the early leaders of the national freedom movement with the uplift of the rural people engaged in industrial activity and their desire to protect them from the evils of modernization and foreign competition on which Gandhi had pinned the blame for rural India's poverty.

The Objectives of Promotion of the Small Scale Sector:

The general sentiment in favour of protecting the 'small' (owned by a worker or a cooperative group) is obvious: but the definition and character of the 'small' activity seems to have remained vague; at least wide enough to enable a variety of enterprises to qualify as being in the small sector. The claims and reasons put forth in support of the sector make a long and impressive catalogue. The main points made in this regard are: 5

- (1) To provide immediate large scale employment opportunities as capital per unit of labour is less (for unemployed and especially for the educated youngmen and displaced persons);
- (2) To avoid concentration of production from the view point of ownership and location and method of ensuring more equitable distribution of income;

5. The Industrial Policy Resolution, 1956, noted that cottage and small scale industries provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilized. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country" (para 13). Similar views were expressed in the Second Five Year Plan. Dhar and Lydall put forward four arguments in favour of small enterprises viz., "employment"; "decentralisation"... "that small enterprises can more easily be dispersed into small towns or villages than large enterprises"; "social and political virtues of small enterprise, e.g. that small enterprises promote equality or democracy"; and finally "that small enterprises help to draw out latent reserves of scarce resources, especially of ownership and capital". See P.N. Dhar and H.F. Lydall, The Role of Small Enterprises in Indian Economic Development, Bombay: Asia, 1961, p. 10. Further, the Karve Committee noted that "the principle of self-employment is at least as important to a successful democracy as that of self-government." See INDIA, Report of the Village and Small Scale Industries (Second Five Year Plan) Committee, 1955, p. 22. The Third Plan Working Group on Small Scale Industries after giving various policy suggestions listed the basic objectives of the policy of promotion and protection to the small industries sector as (i) increased employment, (ii) encouraging gradual progress in the techniques of production in the unorganised sector, (iii) production of a variety of goods, particularly consumer goods through labour intensive methods, (iv) encouraging and supporting small industrialist and (v) ensuring a more equitable distribution of national income and a balanced development in different regions, i.e. to lay down a basis for an essentially decentralised society. See INDIA, Ministry of Commerce & Industry, Report of the Working Group on Small Scale Industries: Programme of Work for the Third Five Year Plan, 1959, pp. 10-11. Similarly, the Indirect Taxation Inquiry Committee observed that the small scale sector should be encouraged not only on considerations of employment potential but "more because it enables those who do not have large capital resources of their own but are otherwise capable of undertaking entrepreneurial functions, to enter the industrial arena", and that these units can "lead to a more decentralised pattern of growth, both regionally and in terms of ownership, control and management, than large scale industries which tend to concentrate in the already industrialised areas and to be dominated by those who are already well established in industry". See INDIA, Ministry of Finance, Report of the Indirect Taxation Inquiry Committee, 1978, Part II, p. 190. Also see INDIA, Administrative Reforms Commission, Report on Small Scale Sector, December 1969, p. 1.

- (3) To provide opportunities for generation of new entrepreneurs;
- (4) To mobilize small capital resources, the overall quantum of which was large when seen in a national framework but were not adequate for establishment of large industrial units;
- (5) To restrict the unplanned growth of urban centres which is inevitable if the unemployed start migrating to cities in absence of employment openings in the present place of living;
- (6) To maintain and provide an orientation to industrial manufacturing so that the local raw materials get utilized to the maximum extent;
- (7) To promote local self sufficiency at least in consumer goods (and incidentally reducing pressure on transport) and elimination of trader intermediaries; and
- (8) To help build decentralized pattern of growth.

Each one of the above objectives is a laudable one. But it bears the impress of the early vague ideas about industry and its dynamics. The question, however, is: whether all these can indeed be achieved through the promotion of small scale industries. Some of these objectives are so wide that one could justify support for any one unit, irrespective of ownership, location or size characteristics. For instance, the objective (No. 1) need not be only achieved through promotion of this sector. Indeed the precise objective of the process of industrialisation in general has been presented on the employment argument. The objective (No. 2) has been often mentioned to support large projects of the non-established business Houses. The National Alliance of Young Entrepreneurs aims to promote new establishments promoted by the young irrespective of the fact whether they belonged to already established industrial families or not. The objectives when seen in isolation can be claimed to be pursued by most of the entrepreneurs who can in no way be described as small.

A number of questionable assumptions seem to be also implied in the statement of objectives. The assumption under the objective No. 5 that small scale units can be established in rural areas (as if the external economies did not matter) and the rural-urban migration can be contained thereby, is a difficult proposition. One also finds that during the past three decades the claims made and reasons assigned for supporting the sector have undergone substantial changes. In this process the initial thrust and purpose of the sector has got wholly transformed. The supporters of the sector in their enthusiasm appear to

have treated the sector as an omnibus one. The sector has not been seen in terms of a specific programme for a clearly identifiable population group. The unavoidable consequence of this, one feels, has been the loss of precision in the objectives and ambiguity in the assumptions. The process has been very similar to the one noticed with regard to the objectives assigned to the Industrial Licensing System.⁶

The national sentiment, particularly during the struggle for the country's independence was in favour of the 'small' men who constituted the vast majority of India's productive population i.e. independent self-employed persons as against wage-based capitalist enterprises -- whether it was in agriculture, trade or industry. It was based on the understanding that the individual self-employed workers cannot face competition from the big wage-based enterprises. Therefore, the state should come to the rescue of the small self-employed workers or small units established by them. There were some who argued for total abolition of private property in free India and thereby eliminate the basic reasons for the problems of the big and the small enterprises. The view more largely shared, however, was that instead of a negative approach (i.e. abolition of private property) the state should adopt a more positive role i.e. provision of special assistance and care to the small units so that they can be enabled to face the economic onslaught of the big.⁷ Alongwith this, it was argued that the state could also place adequate restrictions and obligations on the 'big' so that they did not have undue and large advantage over the 'small'. The state, it was argued, should ensure a balance without depriving the big to have their legitimate rights to expand and at the same time ensuring that the small were provided all help and assistance to contribute the maximum

6. Cf. Corporate Studies Group, Functioning of Industrial Licensing System, Indian Institute of Public Administration, New Delhi, January 1983, Chapter I.

7. "The respective spheres of large-scale, small scale and cottage industries should be demarcated as clearly as possible to avoid economic insecurity and destructive competition....Where a cottage industry is allowed to operate in the same field as large-scale mechanised industry its output should be protected from the competition of the latter by subsidies or some method of price equalisation". Cf. Report of the Economic Programme Committee of the AICC 1948 (of which Jawaharlal Nehru was the Chairman). As reproduced in Young Indian, Special Independence Number, 1972.

for national development. This, in short, has been the strategy for promotion and protection of the small scale sector in the independent India. However, in the general sentiment to protect the small against the big, the dynamics of the market and its unequal impact on the big and the small has not been fully understood. Because of the natural advantages of large scale manufacturing a need arises to separate the areas of big and small enterprises and to place restrictions, especially during the stage of infancy, on the large scale enterprises from intruding upon the zones reserved for the small ones.

The Assumptions:

The measures undertaken and programmes evolved to support the sector, have been determined by the nature of the perception of the policy makers with regards to the operational problems and handicaps of the small scale sector. The understanding of the policy makers has been:⁸

- (1) Since most of the small scale units are organized on proprietary or partnership basis they do not have easy access to institutional sources of finance;
- (2) Due to capital scarcity the units end up in buying cheap and sub-quality machines which are difficult to maintain due to non-standardization;
- (3) As the units are small in size their requirements of raw materials are of limited quantities. Consequently, the raw materials costs work out to be high and the quality of a doubtful nature;
- (4) These units cannot take up advertisements or organize sales directly to the consumers. This makes it obligatory on them to depend on intermediaries and traders;

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8. The Industrial Policy Resolution of 1956 mentioned lack of technical and financial assistance, working accommodation, and inadequacy of facilities for repair and maintenance as the serious handicaps of small scale producers. The Second Five Year Plan observed that "access to raw materials of the right quality and at the right price and the unsatisfactory state of equipment", and "inadequate marketing arrangements and the lack of contact with new techniques of production" were the main handicaps from which the small scale sector suffers. The Administrative Reforms Commission identified "a weak capital structure, without access to capital market" as one of the main problems. They observed that "these units have to borrow money from private sources at exorbitant rate of interest. They have often also to pledge their products at a price below the market". See INDIA, Administrative Reforms Commission, Report of the Working Group on Small Scale Sector, 1968, p. 56. The International Planning Team, sponsored by The Ford Foundation, identified that "outdated production and marketing methods; lack of credit facilities and lack of systematic approach toward improvement" were among the major factors that were contributing to the slow rate of development of small scale industries.

- (5) As many of the small scale entrepreneurs are young and new to the manufacturing line they would not have adequate market know-how or the necessary knowledge of the various kinds of state support available to them;
- (6) With limited resources small scale units cannot afford to install quality testing equipment or afford to pay high rents for land and buildings in urban centres. This was particularly so for the new entrepreneurs;
- (7) The traditional techniques of production need regular upgradation. But this cannot be easily done by entrepreneurs with limited means; and
- (8) The large scale manufacturing units can indulge in a variety of unhealthy and predatory practices to check the growth of the small scale units.

The undercurrent of the 'assistance strategy', is that the small and the big have to co-exist, preferably in close coordination and cooperation with each other. The big is not opposed to the small. The two can co-exist and play a complementary role instead of wasteful and avoidable competition. The First Plan, in fact, argued for common production programmes of the large and small scale units.⁹ Similarly, the 'ancillary' category of the small scale sector owes its origin to the belief that one large industrial unit can support a good number of small independent manufacturing units. The various ideas regarding the policy towards assistance and support of the small scale and rural industries have by now crystallized into a variety of support by the Indian state to the small scale industries. These are described in the following section.

Forms of State Support:

Beginning with the Economic Programmes Committee of the AICC (1948) which pleaded for differential tax rates, provision of subsidy, preferential government purchases and low interest rates for rural and small scale sector, one finds that the nature and variety of state assistance to the sector, by now, has become quite impressive. In fact, the variety is so large that, like the functioning of the industrial licensing system, it is difficult to have an easy and full account of the Government policies and concessions as available at a point of time for the small sector. Information on the concessions, incentives, subsidies, preferences, and facilities officially offered and on how can

9. INDIA, Planning Commission, The First Five Year Plan, 1952, p.316.

these be availed of has become very complex and expert advice from management consultants and legal pundits is required before any one can proceed in the matter.¹⁰

To provide an overview of the different forms of state assistance one can group them under the following heads:

1. Fiscal Concessions:

Small scale units receive fiscal incentives in the form of complete or partial exemption from excise duties. For instance, small scale units operating in industries like footwear (employing less than 50 workers), tooth paste, metal containers, roller bearings, zip fasteners, playing cards, carbon black (whose value of production is not more than Rs. 1 lakh) and confectionery, starch, various kinds of yarn, paper, steel furniture, bolts and nuts, grinding wheels, insulation tapes, paints and varnishes, aerated water, khandsari, soap, safes and strong boxes and metal containers and vegetable non-essential oils (if no power is used) get complete exemption from excise duties. Similarly, differential rates of excise duties apply to industries like wires, cables and paper mills in the small scale sector.

2. Financial Assistance:

As a policy, public sector financial institutions and banks provide finance to the small scale sector at concessional terms. State Financial Corporations (SFCs) are authorized to provide both risk capital and long, medium and short term loans on liberal terms. A number of commercial banks have special schemes for the grant of loans on easy terms to the sector. The Industrial Development Bank of India (IDBI) has established a special wing which exclusively deals with small, village and cottage industries. Assistance

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10. R.S. Aradhya, former Chairman, Mysore State Small Scale Industries Board, observed that "majority of the small entrepreneurs are not aware of the available facilities nor they are made known to them in a manner they could understand and take advantage of the offer made to them". See: R.S. Aradhya, "Plight of Small Units Amongst Small Scale Industries" in Development Commissioner (Small Scale Industries), Credit Facilities to Small Scale Industries, 1969, pp. 242-3. In a recent study conducted by J.C. Sandesara, for the Industrial Development Bank of India, it was observed "(as to the reasons for not having taken the benefit of one or the other types of assistance,) that some had no knowledge of the existence of incentive schemes. A number varying from small but not insignificant to a large majority had no need of assistance. Others needed assistance, out of these some did not get it and the remaining stayed away from even attempting for various reasons, the chief among which included too many formalities associated with the processing of assistance." See J.C. Sandesara, "Incentives and Their Impact: Some Studies on Small Industry", Economic and Political Weekly, Vol. XVII, No. 48, November 27, 1982, p. 1914. Further, the information provided in the Annual Reports of the Small Industries Development Organisation shows that out of nearly 8 lakh small scale units just a little more than 4 lakh units were registered with different State Directorates of Industries. (Cf. INDIA, Development Commissioner (Small Scale Industries), Report 1981-82: Small Industries Development Organisation, 1982, pp. 18-20.) This means that nearly half of the small scale units in the country did not even register themselves as small scale units which is a prerequisite for availing of the state assistance.
11. INDIA, Ministry of Finance, Report of the Indirect Taxation Enquiry Committee, Part II, 1978, p. 192.

sanctioned to the small scale sector by the IDBI in the form of refinance of industrial loans and rediscounting of bills amounted to a total of Rs. 23,400 million at the end of March 1982.

3. Preferential Government Purchases:

It is made compulsory for various government departments and agencies to buy their requirements of a number of items from the constituents of the small scale sector. At the end of 1981 there were 384 items for which purchases were to be made only from the small scale sector. In addition to these there are 11 and 15 items in whose case the DGS&D has to make purchases to the extent of 75 and 50 per cent respectively of its requirements from small scale units. Price preference to the extent of 15 per cent is allowed to small scale units in the case of items purchased both from the small and large scale sectors.

4. Infrastructural Facilities:

Since the beginning of the Second Plan the Government has taken up the task of establishing industrial estates in the country. Industrial estates not only provide readymade industrial sheds -- to minimise preliminary expenses to individual small entrepreneurs--but also offer common services at subsidized rates. The Small Industries Development Organization (SIDO), through a network of Small Industries Service Institutes (SISI), provides management consultancy, industrial design, common tooling and testing facilities, information on technical know-how, market advice, and information for export promotion, etc. The National Small Industries Corporation (NSIC) and State Small Industries Corporations supply machines on hire purchase basis and assist small scale units in securing Government orders.¹² State Directorates of Industries have been assigned the task of providing scarce raw materials to the units in this sector.

5. Reservation of Industries:

Beginning with the Third Plan a number of industrial products have been earmarked for exclusive development in the small scale sector.¹³ The list of reserved items has undergone substantial changes since then. At present the list contains more than 837 items.¹⁴ Large House and FERA companies are generally not permitted to enter or expand, if already operating, in the items reserved for the small scale sector. Any liberalizations in the licensing policy are also not supposed to be applicable to the large and foreign controlled sectors when the item of manufacture happens to be a reserved one though exceptions are allowed for export purposes.¹⁵

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12. See for a discussion, S.K. Goyal, "A study of the Hire Purchase Activity of The National Small Industries Corporation", (Mimeo) Indian Institute of Public Administration, New Delhi, December 1973.
 13. INDIA, Estimates Committee (1971-72), Nineteenth Report: Industrial Licensing, Delhi, 1972, p. 42.
 14. INDIA, Ministry of Finance, Economic Survey, 1982-83, p. 26.
 15. Cf. Various Notifications and Press Notes of the Ministry of Industry (Department of Industrial Development). Also see INDIA, Ministry of Industry, Guidelines for Industries, 1979, p. Sec. 1-2, wherein it was stated that "where large scale units, whether belonging to large houses or not, are already engaged in the manufacture of items since reserved for the small scale sector, there will be no expansion of their capacity. Proposals for grant of licences in areas reserved for small scale sector are considered on merits on the basis of hundred per cent exports on a continuing basis. The share of large industries and houses in the total capacity for these items will be steadily reduced and total of small scale and cottage sector increased".

6. Exemption from Certain Statutory Provisions:

In view of the small scale of operations and investment, these units have been exempted from the provisions of industrial licensing under the IDRA, 1951. Additionally, the provisions of section 58A of the Companies Act, 1956 are also made inapplicable to them.¹⁶ Companies falling under the category of small scale industrial units engaged in the manufacture of a number of products have been exempted from the provisions of the Cost Accounting Records Rules, 1977.¹⁷

7. Bank Finance:

Small scale industrial units form part of the 'priority sector' along with agriculture, small borrowers, weaker sections, etc. for purpose of availing assistance and credit from banks. Loans to priority sector attract lower interest rates and are generally exempted from occasional credit constraints imposed by the Reserve Bank of India.¹⁸ The commercial banks are also directed to increase their lendings to the priority sector.

16. Under the provisions of this Section, companies are ordinarily required to put advertisements inviting deposits in newspapers revealing their financial position and the deposits so accepted should not exceed certain limits and conditions such as the rate of interest and period of deposits prescribed by the Reserve Bank of India from time to time. Companies are also required to maintain a register of deposits and file with the Registrar of Companies, a return containing details regarding the acceptance or return of deposits and reasons for non-payment, if any.
17. This exemption is applicable to small scale industrial units in cement, cycles, tyres and tubes, caustic soda, room air-conditioners, refrigerators, automobile batteries, electric lamps, electric fans, electric motors, motor vehicles, tractors, aluminium, vanaspathi, bulk drugs, sugar, infant milk food, jute goods, paper, rayon, dyes, soda ash, polyester, nylon, dry cell batteries, cotton textiles and sulphuric acid industries. For purpose of this exemption, "the expression "small scale industrial units" means any industrial undertaking registered with the Directorate of Industries or Small Scale Industries as the case may be, of the State Government in respect of which the investment in plant and machinery is not in excess of twenty lakhs of rupees in value." Cf. Notifications GSR Nos.14 to 41 dated 5.1.83 reproduced in Company News & Notes, Vol.XXI, No.5, May 1983, pp.11-23.
18. Investment in plant and machinery appears to be the only criteria for deciding the small scale nature of an industrial unit (i.e. even registration with Director of Industries is not mandatory) for availing of the facilities under 'priority sector lending'. For instance, while giving definitions of the different segments of the priority sector, small scale industrial units are defined as those

engaged in the manufacture, processing or preservation of goods and whose investment in plant and machinery (original cost) does not exceed Rs.20 lakhs. These would, inter alia, include units engaged in mining or quarrying, servicing and repairing of machinery. In the case of ancillary units, the investment in plant and machinery (original cost) should not exceed Rs.25 lakhs to be classified under small-scale industry.

(See Reserve Bank of India, Reserve Bank of India Bulletin, Vol.XXXVII, No.2, February 1983, p.136). It may be noted from the above, that the above definition does not take note of either the ownership aspect introduced in 1980, or the requirement of registration with the Director of Industries. From footnote 17 above it may be noted that registration with Director of Industries is one of the requirements for the unit to be treated as a "small scale industrial unit".

The sum total of the concessions, direct and indirect subsidies, preferential treatment and exemptions from the operation of some of the important regulatory provisions accorded to the small scale sector add up to a substantial support for the sector. The significance of these concessions, however, cannot be assessed in terms of the financial outlays or direct costs to the state as many of the costs are hidden and non-quantifiable. It would also not be correct to assume that the concessions are uniformly available to all constituents of the sector. Viewed from the individual manufacturing unit's angle, one category of units may find one type of concessions more important whereas another group of small scale units may find it far more rewarding to avail of other provisions of state policy package. For instance, a unit which enjoys financial support of a large and established industrial house of the country is likely to depend more on the facility of exemptions from the regulatory provisions whereas a small man may be quite happy if he could obtain a shed in an industrial estate. Similarly, an assembly unit may find government policy for preferential purchases to be more helpful than the availability of cheap raw materials.

To avail of the state assistance and the variety of direct and indirect economic advantages, a unit must get official recognition as a small scale unit. In a country like India, having a high degree of illiteracy and absence of effective channels for dissemination of official information, a large percentage of small scale units are not likely to be even aware of the precise content and extent of state support available to them. One should, therefore, expect that only a fraction of the total number of small scale units would have official recognition as constituents of the sector. Secondly, even if there was awareness of support policies towards the small scale sector one has to recognise that availability of concessions and support has to be through the governmental system which has its own style and mode of operation. The groups which are not intended to be provided state support can indeed be the ones to take advantage of them; and the ones sought to be assisted may never come to know of their eligibility for such assistance. It is, for instance, an irony that the variety and form of concessions and other advantages available to cottage and rural industries are more widely known and understood in urban centres by the

organised industries and traders than by the rural artisans or the village craftsmen. In this framework, it would appear that the concessions and assistance provided by the state for protection, promotion and development of the small scale sector in India would contribute primarily to the benefit of a limited number; and amongst the claimants and the beneficiaries there would be many who were never sought to be assisted and promoted under the scheme.

The Present Study:

The officially laid down criteria for a small scale unit determines the universe of the small scale sector eligible for state patronage and assistance. This study attempts to examine significance and implications of major changes introduced in the official criteria for a small scale unit over the past three decades. Two, since the ownership and control structure in the small scale sector gives a clue to the actual beneficiaries of the policy package towards the sector, an attempt has been made to identify important instances of beneficiaries whose entry in the small scale sector goes against the very spirit of the policies towards the sector. And three, the study attempts to assess the implications of the policy of reservation of industrial products for exclusive development in the small scale sector.

The study is based on a close scrutiny of the company annual reports and other primary sources of company information available in the Corporate Information System which we have attempted to build at the Institute during the past three years. This close scrutiny of the corporate records from the view point of examining efficacy of the small scale sector promotion programmes has brought out a number of interesting insights. It is our hope that these insights would help initiate further investigations of specific issues raised here so as to enable the planners and policy makers to evolve an appropriate alternative policy framework for the protection and promotion of the small scale sector in the longterm perspective of planned national development.

CHAPTER - II

A CRITIQUE OF CRITERIA FOR A SMALL SCALE UNIT

Public policies have to be administered by the governmental system; for this there have to be operational guidelines. To begin with one has to have clarity of the concepts and definitions. If the small scale sector has to be assisted, the system must have a precise definition of a small scale unit. For a long time attempts were made to define a small scale unit in terms of the entrepreneurial characteristics, size of investment, number of persons employed, source of energy, the size of turnover and so on. The First Five Year Plan observed:

It is customary to refer to industries which are not required to be registered under the Factory Act as cottage and small-scale industries. There is no accepted line of distinction between cottage and small-scale industries and different definitions are adopted according to the object in view. The distinction frequently made between establishments which employ power and those which do not become less useful as electricity becomes more generally available. The number of workers employed in an establishment has only a limited value as a criterion for distinguishing large-scale and small-scale establishments. In addition to the test of numbers employed and the use of power, a further test may be whether a unit which may otherwise be regarded as small is owned by the worker himself or by a co-operative group. (emphasis added)

It seems, however, that a consensus on this was only reached during the mid-'fifties. The first official criteria for small scale industry was in terms of the size of the gross investments in (i) land, (ii) building, (iii) plant and machinery, and (iv) the strength of the labour force. A unit having an overall investment of Rs. 5 lakhs and employing less than 50 persons, when using power and less than 100 persons when not using power, was the one that qualified to be treated as a small scale unit.² This definition has to be seen against the scope of the IDRA, 1951 which was then applicable to factories working either with the aid of power and employing 50 or more persons, or those employing 100 or more workers without the aid of power. All manufacturing units, covered by the IDRA, 1951 and requiring an industrial licence were,

1. INDIA, Planning Commission, The First Five Year Plan, New Delhi, p. 325.
2. INDIA, Planning Commission, Second Five Year Plan Committee: Report on the Village and Small Scale Industries, 1955, p. 61. The definition was initially adopted in 1955. However, it was laid down that small scale industries would not include those industries coming under the purview of the statutory boards, set up for handicrafts, handlooms, coir, silk and khadi and village industries. Cf. INDIA, Development Commissioner (Small Scale Industries), Credit Facilities to Small Scale Industries, 1969, p. 6.

therefore, not eligible for being treated as constituents of the small scale sector.³ As a consequence, the small scale sector, as defined initially, did not attract the provisions of the industrial licensing system.

During 1958-59, the definition of a small scale unit was modified to include units on one shift basis.⁴ This was an important change because this aimed at better utilisation of machinery and greater employment opportunities. In January 1960, the restriction on number of persons was wholly removed. The sole criterion came to be in terms of the value of capital investment i.e. rupees five lakhs, irrespective of the number of persons employed.⁵

The third revision in the form of additional criteria for the small scale sector was proposed by the Working Group of the Third Five Year Plan to accommodate units supplying their products to large scale manufacturers. It recommended that in the interest of "developing viable ancillary units, a relaxation of the Rs. 5 lakhs limit in fixed capital may be made in respect of such small scale units which were supplying parts and components to certain specified large scale industries". The Group felt that a limit of Rs. 10 lakhs should be adopted for this purpose.⁶ A new category of small scale industries was thus born. These units were defined as ancillary units and the ceiling was placed at Rs.10 lakhs instead of Rs. 5 lakhs for the small scale units. The Ford Foundation Team, which commented on this category of small scale units felt that higher ceiling for ancillary units "can

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3. Cf. INDIA, Ministry of Industrial Development, Internal Trade and Company Affairs, Report of the Industrial Licensing Policy Inquiry Committee, 1969, p. 15.
 4. INDIA, Development Commissioner (Small Scale Industries), Small Scale Industries Organisation, Report for 1958-59, 1959, p. 1.
 5. Cf. INDIA, Ministry of Industry & Supply (Department of Industry) Working Group on Small Scale Industries, Handicrafts and Sericulture, Report of the Sub-Group on Small Scale Industries, July 1965, p. 293.
 6. INDIA, Ministry of Commerce & Industry, Report of the Working Group: Small Scale Industries -- Programme of work for the Third Five Year Plan, 1959, p. 145.

open the door to the creation of bogus ancillaries by large firms, and was difficult to administer".⁷

The fourth revision came in 1966. It had two elements. One, that while assessing the value of the investments, the items to be included would be only the plant and machinery and not the land and buildings. Two, the upper limit for small scale units was raised from Rs. 5.00 lakhs to Rs. 7.50 lakhs.⁸ The limit for ancillaries was retained at Rs. 10.00 lakhs though by excluding investments in land and buildings, this category also became a wider one.

The fifth revision in the definition of small scale industrial units was made in May 1971 on the recommendation of the Small Scale Industries Board. The investment limit in plant and machinery was raised from Rs. 7.50 lakhs to Rs. 10.00 in the case of small scale units and from Rs. 10.00 lakhs to Rs. 15.00 lakhs for ancillary units.⁹ The raising of the upper limit resulted in enlargement of the number of small scale units registered with the Development Commissioner for Small Scale Industries (DCSSI) by more than one-third. The number of registered units was 1,59,321 in 1973 and 2,14,109 in 1974.¹⁰

The sixth change was introduced in 1977. The Statement on Industrial Policy, 1977 divided the small scale sector into two parts. All small scale units having less than Rs. 1.00 lakh investment and located outside the metropolitan areas were defined as 'tiny units'.¹¹ In this connection it is relevant to note that while the Rs. 1 lakh investment limit is common with the Bhat Committee's suggestion, two other criteria, namely, that the annual turnover should not exceed

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7. INDIA, Ministry of Industry, Report of the International Perspective Planning team: Development of Small Scale Industries in India -- Prospects, Problems and Policies, 1963, p. 116. The Team was sponsored by the Ford Foundation.
 8. INDIA, Ministry of Industrial Development & Company Affairs, Report, 1966-67, p. 65.
 9. INDIA, Development Commissioner (Small Scale Industries), Small Industries Development Organisation, Report 1978-79, p. 233.
 10. INDIA, Development Commissioner (Small Scale Industries), Small Scale Industries in India, Handbook of Statistics - 1977, 1978, p. 23.
 11. Guidelines for Industries (1979), p. Sec. II-11.

Rs. 5 lakhs and that the total capital investment per worker should not exceed Rs.4,000 per shift are missing in this definition.¹² The seventh important change was introduced in the Industrial Policy Statement of July 23, 1980. The qualifying limits were raised all round. For the tiny sector the rise was from Rs. 1.00 lakh to Rs. 2.00 lakhs; for small scale units from Rs. 10.00 lakhs to Rs. 20.00 lakhs and for ancillaries, Rs. 25.00 lakhs instead of Rs. 15.00 lakhs.¹³ It appears that the definition was modified further wherein the words "whether held on ownership terms or by lease or by hire purchase" were inserted after "fixed assets in plant and machinery".¹⁴

The official criteria defining the constituents of the small scale sector has been revised repeatedly. The revisions have been on the following counts viz., (i) an upward revision of ceiling (from Rs. 5.00 lakhs to Rs. 20.00 lakhs); (ii) a reduction in the items for which the investment should be taken note of for purposes of the ceiling; (iii) inclusion of a new category of small scale units (namely, ancillaries) which qualify for small scale policy concessions but has a higher ceiling; and (iv) the criteria being wholly linked to the money value of the assets by exclusion of references to the size of labour force, location, size of turnover, character of the entrepreneur, or the nature of the production basket.

Upward Revision: A Concession For The Few:

A direct implication of the repeated upward revisions in the criterion and narrowing down the base to calculate the size of investment to plant and machinery only can be understood with the help of data provided by the Census of Small Scale Industrial Units, 1972. (See Table-1). It would be seen that more than 90 per cent of the small scale units, even in 1972, had investment of less than Rs. 1.00 lakh

12. Cf. INDIA, Report of the Committee for Drafting Legislation for Small Scale Industries, 1972, p. 29. (Chairman A.R. Bhat)

13. INDIA, Ministry of Industry, Guidelines for Industries, 1982, p. Sec. II-43.

14. This becomes evident from a comparison of the definition provided in the Annual Report of the Small Industries Development Organisation for the years 1980-81 and that in the amended notification no. S.O.98(E)/IDRA/296/73/1 dated 16 February, 1973 as appearing in the Guidelines for Industries (1982), Part I. Earlier, this aspect was forming part of the clarifications and explanations issued by the Government from time to time.

Table - 1

Showing Distribution of Small Scale Units According to
Various Ranges of Investment in Plant & Machinery (1972)

Investment in Plant & Machinery (Rs.'000)		Number of Units	Percentage to Total	Cumulative Percentage
1		2	3	4
Upto	25	1,02,085	73.14	73.14
26 to	50	14,986	10.74	83.88
51 to	100	10,319	7.39	91.27
101 to	300	8,729	6.25	97.52
301 to	600	2,475	1.77	99.29
Above	600	983	0.71	100.00
Total		1,39,577	100.00	-

Source: Based on Development Commissioner (Small Scale Industries),
All India Report on the Census of Small Industrial Units,
Vol. II (Tables), 1977.

each. The units, each with investment of Rs. 6.00 lakhs and more accounted for only 0.71 per cent of the total. It is, therefore, obvious that the upward revision of the investment limit for small scale industries could only be of direct advantage to those who constituted the biggest amongst the small. Under the more liberal criterion the bigger ones could take advantage of various facilities available to the small scale sector. The upward revisions benefit a small number of the big in the sector and strangely enough, the latest revision was justified on the ground that it would "... eliminate the tendency to circumvent the then existing limit by understating the value of machinery and equipment, falsification of accounts or resort to benami units".¹⁵ The following extract from a Press Note issued by the Government provides further evidence in this regard.

Some units which have crossed the previous investment limits (or Rs. 10 lakhs/Rs. 15 lakhs) prior to August, 1980 and which had neither obtained nor applied for COB licences as was required under extant law would have breached the provisions of the Industries (Development and Regulation) Act. In view of the fact that they now qualify for treatment as small scale and ancillary units eligible for exemption under the licensing provisions now, Government have decided to treat such breach as technical breach only and to condone their non-compliance with provisions of the Industries (Development and Regulation) Act during the period for which they might have crossed the previous laid down investment limits and under which they would require COB licences provided their cases fall within the enhanced limits now fixed for small scale and Ancillaries. (emphasis added)¹⁶

This can only encourage further such violations in the future.

Each upward revision in the ceiling of the size of the investment for the units qualifying for the state support and patronage as small scale units, must have enabled large sized manufacturing units to claim the advantages meant for the small scale sector. As these would be larger units the amounts involved by way of subsidy and concessions could also be substantial. It would be of policy relevance to study the pattern of assistance sharing in the small scale sector; and equally so how the upward revisions have altered it. It needs also to be investigated if as a consequence of the upward revisions, the smaller units constituting an overwhelming majority in the sector had to face far greater hardships and competition than earlier. It is plausible that

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15. Ibid., p. 43. A reference to the ownership of small scale units was also made in 1980. This will be discussed in Chapter-III.
16. Cf. Press Note No. 12/139/LP/79 dated August 2, 1980 of the Ministry of Industry (Department of Industrial Development).

the entry of a handful of medium sized units in the small scale sector did make a large difference to enhance unequal competition for the former small scale units i.e. creation of a situation in which competition got promoted among unequals.¹⁷ The upward revisions would also imply that the same facilities would have to be shared by larger numbers -- defeating the very logic of special treatment to the small.

In the U.S.A. a small business is defined as one which is 'independently owned'. A variety of policies have been designed to help and encourage small business so that it may become a very important component of the free enterprise system. It is claimed that these policies would keep the 'door open for free people with initiative, vision and courage, people who want to go into business for themselves'. It is also claimed that U.S. Government not only promotes small business firms but also takes stringent measures to "prevent the growth of all-powerful monopolies".¹⁸ The small business in U.S.A. is meant for independent people and the small enterprises cannot be dominant in their line of production.¹⁹ The point needing emphasis is that unlike the U.S. definition, in India a small scale unit is defined only in terms of the size of investment and is devoid of any reference to the character of ownership. This deficiency in the Indian definition has been repeatedly pointed out by official committees and individual scholars. For instance, the Hathi Committee pointed out the existence of small scale enterprises which were owned by multinational companies. The dissenting members of the Committee for Drafting Legislation for Small

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17. Cf. INDIA, Administrative Reforms Commission, Report on Small Scale Sector, 1969, p. 8. and Estimates Committee (1971-72), Nineteenth Report: Industrial Licensing, 1972. It was reported in the Estimates Committee Report that the Secretary to the Ministry of Industrial Development stated, in reply to a question regarding the enhancement of investment limit from Rs. 7.5 lakhs to Rs. 10 lakhs for small scale units, that it would "bring in people with larger resources and the real man with small resources will probably at the discount as also the people who are already in small industries".(p.41) The observations of the Bhat Committee are also pertinent. The Committee noted that "at present small units by and large are entitled to incentives and facilities on a uniform basis, i.e. irrespective of size of their investment; in actual practice the major share of these facilities flows to the larger among the small units".
 18. Cf. C. Tyler Wood, "Role of Small Business in U.S.A. and India ... Great Scope Ahead -- U.S.A.'s Interest in India's Small Industries", Major Industries of India, Annual, 1961, pp. 191-203.
 19. Report of the Sub-Group on Small Scale Industries, op. cit., p. 299.

Scale Industries pointed out that though the definition of the small scale units had undergone many changes, each time relating it with the investment limits but with "no consideration to the ownership."²⁰

The Organisational Form:

During the earlier years when the policy for promotion of the small scale sector was evolved it was believed that the sector would mainly consist of partnership and proprietary undertakings. While this assumption would hold good, in a large measure, even to-day one is not sure if the officially recognized small scale units would not have a substantial number of such undertakings which would be registered as private or public limited companies under the Indian Companies Act, 1956. In numbers they may be few but their share in the assistance (subsidies, loans etc.) appears to be much greater.²¹ For various reasons entrepreneurs are opting for corporate form of organisation. There are economic advantages in the new form and the managements can have far more flexibility of operation with reduced risks. This is, therefore, a preferred form. In administrative processing of applications it is not uncommon to see a built-in bias in favour of the new form over the proprietary or partnership organisations. A corporate entity is different from the individuals who may own or control it. Under the situation it is necessary to ask if the small scale sector should remain open to the organised corporate sector of the Indian industry or, should some alternative organisational form be promoted?²² It is a question that needs proper debate.

While assessing value of the 'plant and machinery', the official guidelines are that "original price paid by the owner, irrespective of

20. INDIA, Report of the Committee for Drafting Legislation for Small Scale Industries, 1972, p. 53.

21. The Census of Small Scale Industrial Units (1972) shows that out of the total of 1.4 lakh units, only 3 per cent were either public or private limited companies. On the other hand, one finds that out of nearly 1150 small scale units which were members of the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council (as on 31.3.1983), about 340 (or 29.6%) were 'limited companies'.

22. In this connection, it may be noted that the Bhat Committee after deliberating on the advantages and disadvantages of the partnership law and the Companies Act for the small entrepreneur suggested the enactment of a 'Restricted Partnership Act'. Cf. INDIA, Report of the Committee for Drafting Legislation for Small Scale Industries, 1972.

whether the plant and machinery are new or second hand," should be taken into account. Operationalisation of such a guideline is a difficult proposition, particularly in the case of older units and for imported machinery. It has already been stated that with each upward revision of the investment limit, a larger number of existing units had got qualified for assistance under the small scale sector. From another angle, a small scale unit would be deprived of the genuine advantage of expansion since there was no provision for depreciation. Everytime the unit adds a new equipment, its gross value of the assets would rise and very soon the unit may cross the ceiling limit. A more realistic concept could be the 'replacement cost'. It is, however, not our contention that the concept of replacement value is easy to be administered. Since the sole criterion of the sector is in terms of nominal value, the administering system would normally accept the value assessment as claimed by the owner. The discussion, however, is more of academic nature and less of any administrative significance. In the absence of any satisfactory machinery to verify the statements made by the entrepreneurs it is a matter of subjective choice for an enterprise to apply for official recognition as a small scale unit. In substance, therefore, the constituents of the sector can be all those who can claim to have assets of less than the prescribed limit. Whether the claims are real or fake is a different matter.

Nature of Industry and Location:

The investment criterion for the small scale sector is uniform for all industries. It would be accepted without much questioning that the value of plant and machinery for undertakings is, to a large extent, determined by the nature of the industry and location of the unit. The capital requirements of an undertaking would also vary considerably with the choice of the production technologies employed. There can be carpet manufacturing activity at the household level as also with use of sophisticated and modern machines. For establishment of a flour mill in a village may require a much larger outlay than that required for locating it in a city where the mill can have electricity as source of power. In the villages or in remote and isolated locations the entrepreneurs would have to invest considerable sums in setting up a

diesel engines to run the industry. The existing criterion for the small scale sector does not show awareness of such operational problems.

Ancillary Units:

During the Third Plan the concept of ancillary industries was introduced with a much higher qualifying investment limit than the other small scale enterprises. An ancillary unit was to be located near a large industrial project. The ancillary units, as per the criterion, would have a secured market for their production and an assured supply of raw materials. The ancillary units would also have a large element of infrastructural support from the large project with which they would be associated. Additionally, ancillary units are expected to specialize in production of different components. With these advantages should an ancillary unit be eligible for a variety of state patronage, whatever be the investment in plant and machinery? The present limit is Rs. 25.00 lakhs for ancillaries and Rs. 20.00 lakhs for the independent small scale units. Justification of the special treatment to ancillaries needs to be discussed. This being particularly so because a number of the so called ancillary units happen to be personal (benami) properties of the families, relations and business associates of the management of the umbrella units.²³ This again is a matter of debate and policy decision.

Size of Operations:

The official definition of small scale industrial units is solely in terms of the size of investments in plant and machinery. It is not related to the overall size of the assets, turnover, utilisation of funds or the extent of indigenous or foreign ownership of the undertakings. A 'small scale unit' could be a part of an enterprise having overall assets or turnover of crores of rupees. Such practices can be easily resorted to by the corporate entities under the Indian laws. Table-2 shows an illustrative list of some of the companies registered under the Companies Act having claims to be constituents of the small scale sector even though volume of their turnover and assets were very large. Skefko India Bearing Co. Ltd., a company with more

23. For details, see the section on Ancillary Industries in Chapter-III.

Table - 2
Showing Actual Size of Operations of Some Small Scale Companies

(Rs. Lakhs)					
S. No.	Name of the Small Scale Company	PUC	Total Assets	Turnover	High Income Employees
1		2	3	4	5
1.	Skefko India Bearing Co. Ltd. (1980)	8.02	484.50	844.68	29
2.	Photophone Ltd. (1980-81)	30.00	441.72	566.43	25
3.	East India Carpet Co.Ltd.(1982)	22.50	284.61	222.13	7
4.	Fulford (I) Ltd. (1980)	16.00	248.69	395.67	11
5.	Ewac Alloys Ltd. (1979)	16.00	229.29	393.81	8
6.	Afco Ltd. (1982)	60.00	163.65	222.81	6
7.	Mercury Paints & Varnishes Ltd.(1980-81)	15.00	161.83	281.37	7
8.	Roplas India Ltd. (1980)	12.00	99.07	243.35	6
9.	J.K. Helene Curtis Ltd. (1979)	6.13	78.17	235.14	3
10.	Nima Ltd. (1978)	20.00	77.59	41.60	-
11.	Vitro-Pharma Products Ltd. (1982)	3.12	75.81	16.65	1
12.	Dental Products of India Ltd. (1982)	16.00	61.27	77.34	2

Source: Annual Reports of the respective companies.

Note:

1. See the Appendix for details regarding small scale nature of the companies.
2. Figures in brackets indicate the year for which the information relates to.
3. High Income Employees are those drawing Rs. 3000 or more per month.

than Rs. 8 crores turnover is a registered small scale unit. Photophone Ltd., another small scale unit is registered for government purchases, has effected sales worth over Rs. 5 crores in 1980-81. Afco Ltd., a small scale unit registered for government purchases, was one of the 1,300 non-government companies in India out of a total of over 50,000 which had a paid-up capital exceeding Rs. 50.00 lakhs. In 1982, it had assets of over Rs. 1.63 crores and effected a turnover of Rs. 2.22 crores. Ewac Alloys held total assets worth Rs. 2.29 crores and had a turnover of Rs. 3.94 crores and earned Rs. 1.23 crores as pre-tax profits in 1979. Similarly, Fulford (I) Ltd. in 1980 controlled assets of Rs. 2.50 crores and achieved a turnover of Rs. 3.96 crores which mounted to Rs. 6.39 crores by 1982. And yet these have been recognized small scale units! Indeed many of these are bigger than some of the medium scale units.

It is also apparent that apart from the general provisions of the Companies Act, 1956, there are no additional restrictions on small scale units regarding diversion of funds by way of loans to or investments in other companies or partnership firms or appointment of sole selling agencies, commissions and discounts paid or expenditure on publicity. Similar is the case with regard to the salaries of the employees. There are small scale units employing people with very high salaries (i.e. drawing more than Rs. 36,000 per annum). For instance, there were nine employees in Indian National Diesel Engine Co Ltd. in 1979 whose salaries including allowances and other perquisites exceeded Rs. 3,000 per month; four of them receiving more than Rs. 5,000 per month each. There were seven such employees each in Mercury Paints & Varnishes Ltd. (1980-81), Afco Ltd. (1981), and eight in Ewac Alloys Ltd. (1979). Skefko India Bearing Co. Ltd. and Photophone Ltd. have more than 20 such employees.

If one goes by the size, the style of operations and the affluence, a number of companies qualifying for official patronage as small scale companies are hardly distinguishable from the large scale sector companies. One has to start asking if these were indeed the 'small' units which were sought to be assisted under the policy?

Plan Priorities and Small Sector:

The small scale sector in India is not industry specific nevertheless constituents have a 'priority' under the Plans. The subsidies, concessions, services and other facilities, offered by the government agencies, are irrespective of the character of production basket of the sector. The initial assumption regarding the sector was that small scale units do not consume foreign exchange or other scarce resources as the sector is integrated with the local environment, and it would only be producing essential and consumer goods. And if larger investments in the economy are regulated through the industrial licensing system, the small scale sector being left free could not introduce investment distortions in the national process of planned development. Such assumptions do not hold good. The small scale sector is quite 'modern' and has claims on all sorts of scarce national resources. For Instance, it was observed that imported machinery accounted for nearly two-thirds of the value of total machinery supplied on hire-purchase basis by the NSIC during 1957-58 to 1972-73, with an increasing trend during the later years. It indeed was as high as 84 per cent in 1972-73.²⁴ The sector manufactures a wide variety of non-essential goods that would clearly fall under the luxury goods sector. In fact, because of the low priority assigned to consumption goods meant for the rich, production of a number of goods in the large scale sector is discouraged through prohibitive excise duties. The production of the same very items, however, gets subsidised in the small scale sector.²⁵ The fast expanding small scale sector in these industries may indeed be not an index of the efficiency or the emergence of new entrepreneurs but because of the possibilities of medium and large sized units being able to register themselves as small units. How significant is this factor in introducing distortions in the planned economy needs an objective assessment. And to the extent it was so it was a violation of the spirit of a planned economy.

24. Cf. S.K. Goyal, "A Study of the Hire Purchase Activity of the National small Industries Corporation", Indian Institute of Public Administration, New Delhi 1973 (Mimeo).

25. Cf. S.K. Goyal, "Small Scale Sector: Some Policy Issues", a paper presented at Seminar on The Role of Small Scale Industries in the Fifth Plan, March, 1974. Indian Institute of Public Administration, New Delhi.

To sum up, the qualifying criteria for eligibility to state support as a small scale unit have been revised repeatedly. The criterion has been wholly based on the size of investment in plant and machinery. It is not related to the volume of turnover or other indicators of the size of business operations. The criterion also ignored ownership characteristics and organizational, locational, industry and technology aspects of the units. The process of revisions over the past three decades has enabled fairly large sized units to take advantage of the state patronage, contrary to the spirit of the basic rationale and philosophy for promotion of the small scale sector. The introduction of 'ancillary units' has a variety of implications and it is time that these are evaluated objectively. In short, the criteria for small scale sector needs a substantial revision so that one could provide a basis for assisting the "small" independent units instead of permitting the sector to become an escape route for big and influential industrialists to avoid taxes, obtain cheap finance and avoid various regulatory laws of the country.

CHAPTER - III

CONSTITUENTS OF THE SMALL SCALE SECTOR -- A REVIEW

The basic rationale for support to the small scale sector has been that this sector represented independently owned and managed small enterprises. The man behind the enterprise has limited means. It is because of the limited capital that he is unable to make large capital investments in plant and machinery. The small man would not have adequate funds to buy raw materials in bulk or realize other internal economies of scale. A small scale unit, it has been believed, does not have easy and cheap credit as it operated outside the framework of the large organized sector; the already established large concerns could reach the national capital market whereas the small man had to remain content with local and personal contacts for raising the financial requirements of the enterprise. Similarly, a small scale unit cannot afford to have an independent marketing network, nor can it afford to establish training and research wings for exclusive benefit of its enterprise. In short, the small scale units are small in scale because of the limited resources of the entrepreneur; the spirit behind the assistance has been to identify all such handicaps from which a small entrepreneur suffers while the large and resourceful enterprises do not. If this was the background and objective of the public policies towards the Indian small scale sector, it is necessary to examine if the beneficiaries of the policies have indeed been the entrepreneurs with small means. This chapter is an attempt in this direction. The undertakings covered are joint stock companies incorporated under the Companies Act, 1956.

Large Houses in the Small Scale Sector:

The official definition of a small scale undertaking, as brought out in Chapter II does not take into account the 'ownership and control' aspects, of the small scale sector. The incentives, concessions and exemptions from the administrative regulations, available to the small scale sector could attract Large Houses to establish small scale units. This indeed has been the case. Many of the large Industrial Houses have made no secret of this fact. From the published sources one finds that a number of small scale units registered with the State Governments and other official agencies established to promote small scale sector

are owned or controlled by the Indian Monopoly Houses and subsidiaries and associates of foreign companies. Since the official emphasis has been on the size of investment alone, a good number of units of the large companies were extended the same patronage as is available to small scale units. For instance, Saurashtra Chemicals, Junagarh (A unit of the Jiyajirao Cotton Mills - a Birla Company); Fertilizer Mixing Works at Cochin of the Shaw Wallace & Company Ltd.; 12 units of the Indian Hume Pipe Co Ltd., (a Walchand Company) at different places in the country; Fertilizer Mixing Plant at Kottayam of the East India Distilleries & Sugar Factories (now known as EID Parry Ltd.); Steel Racks, Almirahs and Furniture unit at Jaipur of Godrej & Boyce Mfg. Co. were listed in the All India Directory & Hand Book of Small Industries (1966). This publication was brought out by the Federation of Associations of Small Industries of India (FASII).¹ The same Directory also listed a number of companies which were Indian affiliates or branches of transnational corporations (TNCs).

Some of the Directors of Industries of the State Governments published lists of the small scale industrial units eligible for facilities and concessions available to the small scale sector. If one goes by these directories, one finds that there were a number of entries showing companies belonging to Large Industrial Houses (which have been listed as belonging to different business and industrial Houses by the Monopolies Inquiry Commission, 1965 and the Industrial Licensing Policy Inquiry Committee, 1969) and well recognized TNCs.

For instance, the Commercial Directory of Small Scale Industrial Units Registered under the Factories Act, 1948 published (1962) by the Director of Industries, Maharashtra,² included the following: Lakme Ltd. (a Tata company), Kamani Metallic Oxides Ltd. (Kamani), Mulraj Khatau & Sons P. Ltd. (Khatau), Kaycee Industries Ltd. (Bajaj), Coates of India Ltd. (Bird Heilgers), Capsulation Service Ltd. (Rallis), Fancy Net Ltd. (Thackersey), Drayton Greaves P. Ltd. (Thapar), Suhrid Geigy Trading P.

1. Federation of Associations of Small Industries of India, FASII, All India Directory and Hand Book of Small Industries, 1966.
2. Director of Industries, Maharashtra, Commercial Directory of Industries in Maharashtra, Part I: Small Scale Industrial Units Registered Under the Factories Act, 1948 in Maharashtra State, Bombay, 1962. It was stated in the foreword to the Directory that it was prepared in pursuance of the recommendations of the Small Scale Industries Board.

Ltd. (Sarabhai), Business Combine P. Ltd. (S.P. Jain), Textile Engravers Ltd. (Mafatlal), Lakaki Works Ltd. (Kirloskar), Bayer Agrochem Ltd. (Foreign Subsidiary), Nicholas (I) Ltd. (Foreign Subsidiary), British Drug House (I) P. Ltd. (Glaxo), and Roche Products P. Ltd. (Foreign Subsidiary). It also appears that service activities undertaken by large companies were many a time viewed as independent entities for purposes of availing the facilities available to the small scale units. To illustrate: 'Crusher' of Hindustan Construction Co. Ltd., 'Godown' of Hindustan Lever Ltd., 'Tajmahal Hotel Bakery & Confectionery', 'Bata Central Repair Shop', 'Stone crusher' for Mckenzie's Ltd., 'Service Station' of Motor Industries Co. Ltd. (MICO - A foreign Subsidiary), a unit manufacturing jigs, fixtures, tools etc. of Bajaj Auto Ltd. and 'Drum Reconditioning' unit of Asnew Drums P. Ltd. were listed as small scale units in the same Directory.

Similarly, the Directory of small scale industrial units in Madras State³ listed Indian Standard Metal Company Ltd. (Tata); Sundaram Industries Ltd. (TVS), Indian Hume Pipe Co. Ltd. (Walchand), Marshall & Sons Co. (Mfg.) P. Ltd. (Soorajmull Nagarmull), Automobile Rubber Products P. Ltd. (Chidambaram), Speed-A-Way P. Ltd. (Simpson), Coromandel Prodorite Ltd. (Murugappa Chettiar), Mount Mettur Pharmaceuticals Ltd. (Seshasayee), P'Orr & Sons (P) Ltd. (Thiagaraja), Castrol Ltd. (Foreign Branch), Fenner Woodroffe & Co. Ltd. (subsidiary of Gordon Woodroffe & Co. (Madras) P. Ltd., a Foreign Subsidiary), Bluemount Ceramic P. Ltd. (GEC), South Indian Export Co Ltd. (Foreign Branch), W.J. Bush Products P. Ltd. (Parry/Foreign Subsidiary) as small scale units registered with the Director of Industries and Commerce of the State.

Similarly, other important and known cases of small scale units worth mentioning are: Sharpedge (Joint venture of Hindustan Lever and Escorts), Bakul Udyog and Business Combine (S.P. Jain), Fordham Pressing (formerly FERA), Modern Packagings (Jardine Henderson), Vitro-Pharma Products (Wallace), Castall Corpn. (Birla), Bombay Foods P. Ltd. and Laxmi Construction & Tdg. Co. P. Ltd. (both of Khataus) and Ahmedabad

3. Government of Madras, Director of Industries and Commerce, Directory of Small Scale Industrial Units in Madras State, 1965 and Government of Tamilnadu, Director of Industries and Commerce, Directory of Small Scale Industrial Units in Tamilnadu: Supplement to the Second Edition (From 1-1-1964 to 31-12-1967), 1969.

Flexible Tube Mfg. Co. P. Ltd. (Mangaldas Parekh). These were among the beneficiaries of the Hire-Purchase scheme of the National Small Industries Corpn. Ltd.⁴

The examples cited in the foregoing paragraphs are to show that since the small scale sector has been defined only in terms of the size of the assets of an operational unit without relating it to the ownership and control characteristics, it should be no surprise if Large Houses and TNCs were also able to have the patronage which was intended for the entrepreneurs with small and limited means. There was no restriction for the 'big' entrepreneurs to avail of the facilities. It was indeed felt in the case of some smaller companies belonging to the Tata and Birla Houses that "a good number of the companies of the two Houses may qualify for being awarded concessions under small and medium industries"!⁵

Industrial Policy and the Small Scale Sector:

In 1970 it was decided to bring in the small scale units of the Large Houses and TNCs under the Industrial Licensing System. It was officially stated that: (a) companies belonging to the 20 Larger Industrial Houses (LIH) as identified by the ILPIC; (b) undertakings falling under the dominant undertaking category as defined in the MRTP Act, 1969 and (c) branches and subsidiaries of foreign companies were not eligible for exemptions from the industrial licensing system on the plea of their being small scale units.⁶ In 1973 all undertakings registered under the MRTP Act, 1969 were made ineligible for exemption as was the case with the companies belonging to Larger Industrial Houses earlier.

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4. See National Small Industries Corpn. Ltd., The Directory of Machinery Supplied on Hire-Purchase, New Delhi, 1976.
 5. S.K. Goyal, Monopoly Capital and Public Policy -- Business and Economic Power, Allied, 1979, p.71.
 6. Cf. INDIA, Ministry of Industrial Development, Internal Trade and Company Affairs, Notification No. 713/IDRA/29B/70/I dated February 19, 1970 reproduced as Appendix I in INDIA, Estimates Committee (1971-72), Nineteenth Report : Industrial Licensing, pp. 224-234.

In 1975, it was announced that small undertakings which are subsidiaries of, or are owned or controlled by any other undertaking would not qualify to be treated as ancillary small scale units.⁷ In 1980, this provision was extended to all small scale units. The definition of a small scale unit now reads:

Undertakings having investment in plant and machinery (whether held on ownership terms or by lease or by hire purchase) not exceeding Rs. 20 lakhs... Provided further that no (such) undertaking ... shall be a subsidiary of, or controlled by any other undertaking.⁸

This change was probably a result of the recommendations of the Bhat Committee (1972). The Committee had recommended exclusion of those small scale units whose managements were being directed from outside. This objective, it seems, was sought to be achieved by referring to 'control' by other undertakings in the official announcements. There is, however, no legal definition of control under the IDRA, 1951. The concept of a subsidiary is legal and clear but to enjoy effective control one hardly requires majority equity.⁹ Therefore, while it sounds as if the ownership and control aspects have been taken note of, in the absence of any legal basis for assessing control, the official statements cannot have much operational significance. Even with regard to the non-eligibility of the subsidiaries for being treated as small scale units one finds it difficult to understand why the Government took more than five years after it had decided that units which are subsidiaries of or owned or controlled by other undertakings should not be treated as ancillaries for small scale patronage. (The subsidiaries of other companies were debarred from claiming the facilities and exemptions available to ancillaries in 1975). Even the decision regarding ancillaries seems to have come very late in view of an earlier provision which precluded those units which were subsidiaries or were controlled by any large unit with regard to negotiations of contracts for supply of goods to them.¹⁰

7. Vide Press Note dated May 19, 1975 reproduced in Guidelines for Industries (1979), Part I, pp. Sec. V-7 to V-9.

8. Cf. Guidelines for Industries, 1982.

9. Cf. ILPIC Report (Main), *op.cit.*, pp. 15-16. It was found that much less than 'one-third' of the effective equity (total equity minus that held by passive shareholders like foreign collaborators and financial institutions) was enough for an existing management to continue to keep control over a company.

10. See the section on ancillary industries in this Chapter.

Hoyle's Paints Ltd. (Singhania), a MRTP company since 1971, claimed in 1981 that the reported licensed capacity was "as per return filed with the Directorate of Cottage and Small Scale Industries, West Bengal".¹³ This obviously shows that the company was a registered small scale unit. Similarly, India Paint Colour & Varnish Co. Ltd. (Bangur) which has been registered under the MRTP Act since 1970, also said in its Annual Report for the year 1981 that the reported licensed capacity was "as per the return filed with the Directorate of Cottage and Small Scale Industries, West Bengal".¹⁴

Cartybon P. Ltd. (registered under the MRTP Act since 1970), a subsidiary of Chowgule & Co. P. Ltd., Electronics and Business Machines P. Ltd. (registered since 1975) and Shourie Duplicators P. Ltd. (registered since April 1977) were registered with the NSIC for government purchases as small scale units.¹⁵ The case of Cartybon P. Ltd. is particularly an interesting one. The company in its Annual Report for the year 1982 reported that

The Company is registered with the Directorate of Industries Goa and since it is an undertaking having investments in fixed assets in plant and machinery not exceeding Rs. 10.00 lakhs qualifies as a 'Small Scale Unit' within the meaning of the rules framed under Section 29(B) of the Industries (Development and Regulation) Act, 1951 (IDRA). However, since the Company falls under the category of 'Undertaking to which Chapter III of the Monopolies and Restrictive Trade Practices Act (MRTPA) applies, the Company made an application, pursuant to the Notification No. S.O. 98(E) IDRA/298/73/1 dated 16th February 1973 for 'Carry on Business Licence' (C.O.B.) vide Company's letter No. 403 dated 11th June, 1973 in response to which the Central Government by their letter No. 16/(13)(2)/73-C.I. dated 4th July, 1974, clarified that based on the fact that the labour strength employed by the Company was less than 50 the C.O.B. Licence under the IDRA was not required. (emphasis added)

Thus, while the company was advised that it does not require a COB licence in 1974, the fact that it is registered with the NSIC even in

13. Cf. Hoyle's Paints Ltd., Annual Report, 1981.

14. These two cases also throw some light on another interesting practice in reporting of capacity data in company Annual Reports. They give rise to the possibility of the figures reported under 'Licensed Capacity' representing either (i) the capacity endorsed on Industrial Licence, or (ii) capacities sanctioned or returns submitted to various authorities like (a) State Directorates of Industries, (b) the DGTI, or even (c) the capacity stated in Factory Licence.

15. See National Small Industries Corpn. Ltd., Directory of Small Units Enlisted for Government Purchases, 1982.

16. Cf. Cartybon P. Ltd., Annual Report, 1982.

1982, for government purchases, shows that the company is continuing to get the benefits meant for small scale units and its latest renewal for government purchases is valid until December 1984.

Thyristors Control Pvt. Ltd. (registered under the MRTP Act since 25.11.1978 as part of Reliance Textile Group) and Dempo & Sons P. Ltd. (registered under the MRTP Act since 28.6.1974 as part of the V.S. Dempo Group) -- Unit: Goa Paints & Allied Chemicals -- are two other MRTP companies registered with the NSIC for government purchases as small scale units. It is significant that these companies got registered for government purchases during the post-1980 period (the former in August 1982 and the latter in February 1983) i.e. after the ownership aspect has been incorporated in the definition of a small scale unit.

It also becomes evident that while small scale units which are registered under the MRTP Act cannot avail the exemption from the Industrial Licensing under the IDRA since the actual definition of a small scale unit does not conceive of such registration, it becomes possible for MRTP companies to continue to be registered as small scale units.

Roplas (I) Ltd.:

The case of Roplas (I) Ltd. provides another interesting example of a small scale unit registered under the MRTP Act. The company reports that it manufactures 'fibreglass reinforced plastic products', for which it claimed that licensing was not applicable. From the Prospectus as well as its Annual Report for the year 1980¹⁷ it is evident that the company is claiming non-applicability of licensing by virtue of it being registered as a small scale unit with the Government of Maharashtra. The extracts from the company's Prospectus, reproduced below, give a brief history of the company as also the circumstances under which it sought de-registration under the MRTP Act.

The Company was promoted by Mahindra & Mahindra Limited, Bombay and Rubery Owen & Company Limited, Darlestone, U.K...

17. The Chairman of the company stated "According to my philosophy for industry, especially small scale industry like ourselves, profitability in an increasingly competitive milieu depends not only on cost consciousness ... but on product diversification and advancement" (emphasis added). Cf. Roplas (I) Ltd., Annual Report, 1980, p.5.

In 1971 the Company was registered under part A of chapter III of the Monopolies & Restrictive Trade Practices Act, 1969 (MRTP Act) as an inter-connected undertaking with Mahindra & Mahindra Ltd..

The Company was in 1972 registered with the Directorate of Small Scale Industries for the manufacture of various industrial products made out of reinforced fibreglass plastic. On the 26th April, 1978 the Central Government by notification amended its earlier notification dated the 10th February, 1973 dealing with the provisions for exemption from licencing under the Industries (Development & Regulation) Act, 1951 and non-eligibility of such exemption to undertakings to which Chapter III of the MRTP Act applies. By the said notification of the 26th April, 1978, 807 items are reserved for the Small Scale Sector. Fibreglass reinforced plastic products appear in the list of these 807 items. According to the Company's understanding, however, it is no more inter-connected with Mahindra & Mahindra Ltd. and an application for de-registration has accordingly been submitted. The Board of Directors therefore believe that the Company would continue to be regarded as a small scale unit.¹⁸

It is surprising that the company was referring to the April, 1978 notification, while actually it should have applied for a C.O.B. Licence as per the February, 1973 notification itself which debarred MRTPA companies from claiming exemption from industrial licensing on the plea of being small scale units. However, the fact that the company got itself de-registered under the MRTP Act is revealed in its Annual Report for the year 1980.¹⁹ The continuation of Roplas (I) Ltd. in the small scale sector casts a doubt whether the present official policy on small scale sector can exclude Monopoly House controlled companies. It also demonstrates the weaknesses of the Indian anti-monopoly legislation.

18. Roplas India Ltd., Prospectus dated April 23, 1979, p.5.

19. However, the following facts underline that the company (i.e. Roplas) is still a part of the house of Mahindras: 1. Besides individual shareholders, who can be identified as belonging to the House, the list of top-ten shareholders of the company, dated June 28, 1980, shows that (a) Mahindra & Mahindra Ltd. holds 13281 shares or 11.7 per cent of shares of the company; (b) Mahindra Sintered Products Ltd., a subsidiary of Mahindra & Mahindra Ltd. holds 2801 shares or 2.33 per cent of shares of the company; (c) Dr. Beck & Co. Ltd., a company identified by the ILPIC as belonging to the Mahindra House and in which besides Mahindra & Mahindra Ltd., two of its subsidiaries are shareholders, holds 8401 shares (7.00 per cent) of the company; (d) Rubery Owen Holdings U.K. which is also the collaborator for one of the subsidiaries of Mahindra & Mahindra Ltd., viz., Mahindra Owen Ltd., holds 11202 shares or 9.34 per cent of shares of the company; 2. (a) The Chairman of the company was a former executive director of Mahindra & Mahindra Ltd. and he continues to be on the Board of Directors of Mahindra & Mahindra Ltd.; (b) The Secretary of Roplas (I) Ltd. was a former Assistant Secretary of Mahindra Sintered Products Ltd.; (c) Chief Administrative officer of the company was a former senior executive of Mahindra & Mahindra Ltd.; (d) General Manager of the company was Project Manager of Vickers Sperry (I) Ltd., a company included in the Mahindra House by the ILPIC; and 3. Both Mahindra Owen, a subsidiary of Mahindra & Mahindra Ltd. which is also registered under the MRTP Act, and Roplas (I) Ltd. were shown as Indian associates of Rubery Owen Holdings Ltd., U.K. in the Who Owns Whom published by Dun & Bradstreet, U.K.

Another question worth raising at this point is whether the small scale units which have been debarred from claiming exemption from the Industrial Licensing System would remain eligible for availing of the other benefits, privileges and assistance provided to the small scale sector. The fact that such a possibility cannot be ruled out is suggested by the case of J.K. Helene Curtis Ltd. The company which applied for a C.O.B. licence in 1980-81 as it was no more exempted from the ILS, continues to be listed among the small scale manufacturer-members of the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council. This was the case even as late as March 31, 1983.²⁰

Control through Inter-Corporate Investments:

So far we have been citing what appear to be obvious cases of Monopoly House companies. The names of the companies referred to are those which find a place in the official lists of companies registered under the M RTP Act or those identified by the Industrial Licensing Policy Inquiry Committee (ILPIC) and the Monopolies Inquiry Commission (MIC). There are, however, a large number of companies which either do not get themselves registered under the M RTP Act even though these are controlled by Industrial Houses or happen to be controlled through minority equity holdings by foreign companies. The mere fact that a company identified by the MIC or the ILPIC, as belonging to a Large House is not registered or has got itself de-registered from the M RTP Act, does not imply that the company had ceased to be under the control of the House. Roplas (I) Ltd., described above, is a case in point. Large House companies may have a lower level of equity participation in small scale companies without any loss of control or business coordination so that the controlled units keep reaping the benefits of the policy with regard to the small scale sector.

To mention only a few cases of this category: The ITC Ltd. had promoted Tuff Tools International Pvt. Ltd. and Triveni Handlooms Ltd., in the small scale sector. As of March 31, 1982 it held shares worth Rs. 1 lakh in each of these companies. The ITC also markets their products. It may be noted that neither of the two small scale units

20. The Corporate Studies Group obtained from the Export Promotion Council a list of its Members as on March 31, 1983 which specifies small scale manufacturer-members separately.

qualify to be subsidiaries of the promoting company.²¹ Similarly, each of the three Tata power companies viz. Tata Power Co. Ltd., Tata Hydro-Electric & Power Supply Co. Ltd. and Andhra Valley Power Supply Co. Ltd. holds 800 shares in Yashmun Engineers Ltd.,²² a small scale unit, registered under the single point registration scheme of the NSIC for government purchases. The shares of these three companies account for 27 per cent of the total equity shares (8800) of the company. In addition, the company reported the address of its sales office as "Tata Vidyut Karyalaya, Murzban Road, Bombay-1."²³ Madura Coats Ltd. holds 1070 shares (Rs. 100 each) of Hyderabad Electronic Instruments Ltd., a small scale unit.²⁴ The practice of large companies circumventing the official policies regarding the small scale sector is further illustrated by an advertisement in the Economic Times, dated July 20, 1982, which reads: "A leading electronic manufacturing company wishes to collaborate (Financial, Managerial, Technical and Marketing) with a small scale manufacturer who qualifies for the manufacture of colour TV sets according to the present Government of India policy". After such wide-ranging collaboration, one wonders in what respect the small scale collaborator is not controlled by the large company?

The case of Webel Jyoti Power Electronics Ltd. demonstrates yet another interesting practice of getting into the small scale sector by large companies. The following facts emerge from a study of the prospectus of Webel Jyoti Power Electronics Ltd.²⁵ Jyoti Ltd. entered

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21. Cf. ITC Ltd., Annual Report, 1982, pp. 21 and 31. The company claimed that "~~Tuff Tools International Private Limited~~ and Triveni Hadlooms Limited which were both promoted in the small scale sector by your Company would have suffered heavily but for the marketing inputs and nurturing of these ventures by ITC". (p. 21)
 22. Cf. Annual Reports of Tata Power Co. Ltd., Tata Hydro - Electric & Power Supply Co. Ltd. and Andhra Valley Power Supply Co. Ltd., for the year 1979-80. Yashmun Engineers Ltd. took over the Air Conditioning and Refrigeration Unit of National Radio & Electronics Co. Ltd. in 1978. The senior manager of the Company was with the Tata Electric Companies before joining the company. In addition, the Vice-chairman & Managing Director and two Deputy Managing Directors of the Tata Electric companies are Chairman and Directors respectively of Yashmun Engineers Ltd.
 23. National Small Industries Corpn. Ltd., Directory of Small Units Enlisted for Government Purchases, 1976, Advertisements, p. 168. The registered office of the company is also located at the same place.
 24. See Madura Coats Ltd., Annual Report, 1980-81, p.13.
 25. Webel Jyoti Power Electronics Ltd., Prospectus dated June 18, 1979.

into an agreement with the West Bengal Electronics Industry Development Corporation Ltd. (WBEIDC) for setting up the company in the joint sector for manufacture of 'Thyristor Controlled Modular Drive Systems'. The joint sector company has been registered as a small scale industry with the Directorate of Cottage & Small Scale Industries, West Bengal. Jyoti Ltd., besides taking up of 25 per cent of the equity shares of the joint sector small scale company, supplied the technical know-how to the project. The Prospectus also reveals that the appointment of the Managing Director of the company is subject not only to the provisions of the Companies Act, but also to a provision contained in the financial collaboration agreement entered into by Jyoti Ltd. and West Bengal Electronics Industries Development Corporation Ltd. It may be noted that both Jyoti Ltd. and Webel Jyoti Power Electronics Ltd. have since been registered under the MRTF Act (w.e.f. February 24, 1982).

Exemption from Industrial Licensing and Subsidiaries:

It has been observed in the above that subsidiaries of other companies are excluded from the small scale sector since 1980. It should be expected that the policy would soon have been operationalized. This, however, does not appear to be the case. A realization of this seems to be suggested in the following Government decision of April 1983.

Henceforth, small-scale units and ancillaries, which are subsidiaries of or owned or controlled by any large or medium-sized undertakings, will not be entitled to interest concession, refinance assistance and relaxation in norms applicable to SSI units under the refinance scheme.

And,

The development commissioner, SSI, has asked the relevant state government agencies to "derecognise" those registered small-scale units which are subsidiaries or are controlled or owned by large or medium-scale units. Such units will no longer be registered as small units.²⁶

Many large companies float subsidiaries to avail of benefits meant for small scale sector. Table-3 lists a number of small scale subsidiaries of large companies, including those registered under the MRTF Act, 1969, which claimed exemption from the industrial licensing system. Mercury Paints & Varnishes Ltd. and Kiran X-Ray Screens Ltd. --

26. Cf. Business Standard dated April 19, 1983.

Table - 3

Illustrative List of Small Scale Subsidiary Companies which

Claimed Non-Applicability of Industrial Licensing

S.No.	Name of the Company Claiming Non-Applicability	Name of the Parent Company	House Association	Products manufactured	Company's claim as per its Annual Report
1	2	3	4	5	
1.	Afco Ltd.	Bombay Burmah Tdg. Corp.	Wallace		"Not Applicable" (AR 1982, p.S-13)
2.	Ankleshwar Ion Exchange Resins & Chemicals Ltd.	Ion Exchange (I) Ltd.	Parent was A FERA Co.	Resin	"Not applicable: since registered as an ancillary Small Scale Unit vide registration certificate No.04/04/00003/Prov/SSA dated 2.5.1979". (AR 1980, p.38)
3.	Blue Mount Ceramics Ltd.	General Electric Co. (I) Ltd.	CEC	Porcelain insulators for transformers	"-" (AR 1975-76, p.48)
4.	Chefaro Pharmaceuticals Ltd.	Organon (I) Ltd.	Parent was a FERA Co.	Tablets, Liquids	"As the unit is small scale unit no licensing is required" (AR 1982, p.14)
5.	Deccan Ayurvedashram Pharmacy Ltd.	Ayurved Sevashram Ltd.	Bajaj		"There is no licensed capacity for production" (AR 1981-82)
6.	Dempo Engg. Works P. Ltd.	V.S.Dempo & Co. P. Ltd.	V.S.Dempo		"Not applicable, since registered as a Small Scale Unit" (AR 1979)
7.	Dental Products of (I) Ltd.	Bombay Burmah Tdg. Corp., Ltd.	Wallace	Consumable Dental goods	"The company is a small scale unit registered with the Director of Industries, Bombay and therefore its manufacturing capacity has not been licensed". (AR 1982 p.S-46)
8.	East India Carpet Co. Ltd.	Oriental Carpet Mfrs. (I) Ltd.	Birla	Carpets	"Licensing not applicable to this industry" (AR 1982, p.34) Auditors of the company reported: "The provision of section 58 A of the Companies Act, 1956 is not applicable to the company since the Company is a small scale industrial unit" (AR 1983, p.25)
9.	Ethnor Ltd.	Johnson & Johnson Ltd.	Parent a FERA Co.	Tablets, liquids, ointments, powders, chemicals, applicators	"Not applicable" (AR 1981)

Contd...

S.No.	Name of the Company Claiming Non-Appliability	Name of the Parent Company	House Association	Products manufactured	Company's claim as per its Annual Report	
					1	2
10.	Eureka Forbes Ltd.	Forbes Forbes Campbell & Co. Ltd.	Tata	Vacuum cleaners Water purifiers	3	4
11.	Evac Alloys Ltd.	Larsen & Toubro Ltd.	L & T Registered under the MRTP Act w.e.f. 3.10.70	Welding electrodes & gas welding rods Welding fluxes etc. Welding torches and accessories	3	4
12.	Flash Laboratories P. Ltd.	Parle Products P. Ltd.	Parle	Tooth Paste	3	4
13.	Cannon Electrolytics Ltd.	Cannon Dunkerley & Co. Ltd.	Cannon Dunkerley	Electrolytic capacitors	3	4
14.	Garment Enterprises Ltd.	Cold Mohur Mills Ltd.	Finlay	Garments	3	4
15.	Generators (I) Ltd.	Eicher Goodearth Ltd.	Eicher	Petroleum Products, colours and chemicals	3	4
16.	Indequip Chem Dyes Ltd.	Indequip Ltd.			3	4

"Not Applicable" (AR 1982-83).
Auditors of the company reported:
"The provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the acceptance of deposits from the public are not applicable."

"Does not apply. As a small scale industry, no specific licensing of capacity is involved under the Industrial (Development & Regulation) Act, 1951" (AR 1980, p.78)

"Since the unit is a Small Scale Industrial Unit not attracting the Licensing provisions of the Industries (Development & Regulation) Act, 1951 the question of licensed capacity does not arise." (AR 1980)

"Registered as a SSI with the Director of Industries, Maharashtra", (AR 1977-78 p.4)

"The company is a registered Small Scale Industry with Director of Industries, Govt. of Maharashtra". (AR 1979-80, p.46)

"Not applicable being a small scale industry" (AR 1980)

"Not applicable" (AR 1976) The auditors in their report disclosed the company was claiming non-appliability of section 58A of the Companies Act, 1956 and the rules framed there-under as it was a small scale industrial unit.

Contd...

S.No.	Name of the Company Claiming Non-Appli- cability	Name of the Parent Company	House Associa- tion	Products manufactured	Company's claim as per its Annual Report
1		2	3	4	5
17.	Indian National Diesel Co. Ltd.	Mahindra & Mahindra Ltd.	Mahindra Registered under the MRTP Act w.e.f. 26.10.'70	Epoxy Compounds, cable jointings kits, tools and accessories Components for switchgears and control gears	"Not applicable since registered as a small scale industry...however, in view of the Govt. Notification No.50/98(E) IDRA/293/731 dated 16th Feb., 1973, the company cannot continue as a small scale industry and has applied to the licensing authorities for a COB Licence their clearance is awaited." (AR 1979, p.5-15)
18.	J.K. Helene Curtis Ltd.	Raymond Woollen Mills Ltd.	J.K. Singhania Registered under the MRTP Act w.e.f. 12.11.'70	Cosmetics & alcoholic preparations	"The company is registered as a small scale industrial unit... The company's application for COB Licence under Industries (Development Regulation) Act, 1951 is pending before the concerned authorities". (AR 1981, p.5-12)
19.	Karnataka Coir Products Ltd.	Maharashtra Apex Corpora- Ltd.	—	Rubberise. Coir, curled coir.	"Industrial Licences are exempted to companies under the Industries (Develop- ment & Regulation) Act 1951", (AR, 1979)
20.	Kiran X-Ray Screens , Ltd.	D.M. Ghia Investments P. Ltd.	Ghia		"This being a Small Scale Unit, no manufacturing licence is required" (AR 1980-81, p.16)
21.	Mercury Paints & Varnishes Ltd.	D.M. Ghia Investments P. Ltd.	Ghia Registered under the MRTP Act w.e.f. 26.10.'77	Enamels, R.M. Paints etc. Aluminium paste Oil-borne distemper etc. Resins	"The company is registered with the Directorate of Industries, Govt. of Maharashtra as a small scale unit... Licensed capacity does not apply being a small scale unit". (AR 1979-80 p.22)
22.	Nima Ltd.	Jyoti Ltd.	Amin	Electric Fan; Coolant pumps Sliding pumps Machines Wheat Threshers Forage cutters	"The company was a Small Scale unit and hence, the licensing provisions under the Industries (Development & Regulations) Act 1951 were not applicable However, due to the change of Definition of Small Scale Unit w.e.f. 19.1.1980, the Licensing provisions have become applicable..." (AR 1980, p.43)

Contd...

S.No.	Name of the Company Claiming Non-Applicability	Name of the Parent Company	House Association	Products manufactured	Company's claim as per its Annual Report
1	2	3	4	5	
23.	Nyloc Strappings P. Ltd.	Western India Texturizers Ltd.	Nirilon	Nyloc Super TUF Strapping	"Not applicable being under Small Scale Industries (AR, 1981)
24.	Roussel Pharmaceuticals Ltd.	Hoechst Pharmaceuticals Ltd.	United Breweries	Steroids and hormones antibiotics, sedatives and other specialities	"Not applicable as the unit is in the small scale sector. A carry on business Licence had been applied for; this has been received during 1976" (AR 1975, p.40)
25.	Sankar Electricals Ltd.	General Electric Co. of India Ltd.	GEC	Fluorescent tube Lamps	"There is no licensed capacity as the unit is a Small Scale Industry" (AR 1976).
26.	Saurashtra Paints Ltd.	Goodlass Nerloc Paints Ltd.	Tata	Liquid paints, enamels, stiff paints.	"Not applicable" (AR 1981, p.36)
27.	Tullis Woodroffe (Belting) Ltd.	Gorden Woodroffe Co. (Madras) Ltd.		Leather belting, cone draw beltin, round leather belting, ginning washers and other washers leather gloves condenser tapes, leather waist belts	"Licensed (without capacity) as per S.S.I. Certificate" (AR 1976)
28.	Urwal Inds. Ltd.	Indian Standard Metal Co. Ltd.	Tata	Gun Metal and Aluminium Alloy castings	"Registered under Small Scale Industries - capacities not indicated". (AR 1974, p.68)
29.	Vitro-Pharma Products Ltd.	Bombay Burma Tdg. Corpn. Ltd.	Wallace	Injectibles, Tablets Capsules, Liquid Orals	"The company is a small scale unit registered with the Director of Industries, Bombay and therefore its manufacturing capacity has not been licensed." (AR 1982 p.8-36)
30.	W.T. Suren & Co. Ltd.	Rallis (I) Ltd.	Rallis		"Not applicable as the company is covered under the small scale industries". (AR 1976-77, p.59)

Note: 1. AR in column 5 stands for Annual Report of the company or its parent company.
2. Also see the Appendix for further details.

both subsidiaries of D.M. Ghia Investments Pvt. Ltd. (Ghia), Ewac Alloys Ltd. -- a subsidiary of Larsen & Toubro Ltd. (L&T), Garment Enterprises Ltd. -- a subsidiary of Gold Mohur Mills Ltd. (Finlay), Flash Laboratories P. Ltd. -- a subsidiary of Parle Products P. Ltd., Chefaro Pharmaceuticals Ltd. - subsidiary of Organon (I) Ltd. (a FERA company till recently), and Ankleshwar Ion Exchangers and Chemicals Ltd. -- subsidiary of Ion Exchange (I) Ltd. (a former FERA company), claim that industrial licensing is not applicable to them because they were registered as small scale units.

The Indian National Diesel Co. Ltd., a subsidiary of Mahindra & Mahindra Ltd., (Mahindra); J.K. Helen Curtis Ltd; -- a subsidiary of Raymond Woollen Mills Ltd. (J.K. Singhanian); Roussel Pharmaceuticals Ltd. -- subsidiary of Hoechst Pharmaceuticals Ltd. (a FERA company); and Nima Ltd. -- a subsidiary of Jyoti Ltd. (Amin) report that they did not require a licence till recently, being small scale units, but have now applied for C.O.B. licences as a sequel to the change in the Government policy. The auditors of East India Carpet Co. Ltd. -- a subsidiary of Oriental Carpet Mfrs. (I) Ltd. and Saurashtra Paints Ltd. -- a subsidiary of Goodlass Nerolac Paints Ltd., indicate that they were also small scale units.²⁷

27. The usefulness of Auditors' Report to Shareholders, which is a part of company's Annual Report is often greatly reduced by the "phrasing" of the auditors' comments. Often these are open to multiple interpretations. For instance, the auditors have to state in their report whether a company has complied with the provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975. We have observed earlier that small scale units are exempted from compliance of these rules. The following are a few types of reporting by auditors on this aspect.

1. The provision of Section 58A of the Companies Act, 1956 is not applicable to the company since the company is a small scale industrial unit. (East India Carpet Co. Ltd., Annual Report, 1983, p.25).
2. In our opinion and according to the information and explanations given to us, the provision of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the company (Saurashtra Paints Ltd., Annual Report, 1983, p.45).
3. The company has not accepted any deposits during the year from the public which would attract the provisions of Section 58A of the Companies Act, 1956. (Sun-Sip Ltd., Annual Report, 1980, p.41.).

(Contd...)

Bombay-Burmah Trading Corpn. Ltd. (Wallace) provides another interesting example of large scale companies continuing to operate in the small scale sector through their subsidiaries. The company's Annual Report even for the year 1982 reveals that Vitro Pharma Products Ltd., a wholly owned subsidiary, and another subsidiary Dental Products of (I) Ltd. (a former FERA company and in which the current foreign equity level is 30 per cent) are small scale units. In addition, Afco Ltd., another wholly owned subsidiary of the same company is continuing to claim non-applicability of industrial licensing to its manufacturing activities and this subsidiary has been registered with the NSIC for government purchases as a small scale unit.²⁸ In short, the Bombay Burmah Trading Corpn. Ltd., a company with assets and sales turnover exceeding Rs. 20 crores has at least three small scale subsidiaries and this is the situation in 1982!

In addition, one comes across a number of subsidiary companies, including those of the MRTPA registered companies, which claim non-applicability of licensing but neither the company explains the reasons for the non-applicability nor the Auditor's Report gives a clue as to

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4. The company has not accepted deposits from the public during the year within the meaning of Section 58A of the Companies Act and the rules and directives issued by the Reserve Bank of India from time to time (Chanda Paints (Madras) Ltd., Annual Report, 1982, p.57).

There are other variations such as "the company has not accepted any deposits from the public" or "the company has complied with the provisions of the Companies Act with regard to the deposits accepted from the public". It may be observed that among all these, the first mentioned clearly and directly states that the company was a small scale unit; the second one indirectly implies that the company was a small scale unit as the provisions of the Act are not applicable; and the third and fourth are amenable to a number of interpretations. The concerned company may not have accepted any deposits at all, or the deposits accepted do not fall under the definition of 'deposits' as defined in the rules or the company could be a small scale unit and hence the deposits accepted by it do not attract the provisions of the Act. It may be noted that Chanda Paints (Madras) Ltd. was in fact promoted in the small scale sector.

For purposes of this study a company is taken to be a small scale industrial unit, if the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are reported to be inapplicable to it unless non-acceptance of deposits is stated as the reason for such non-applicability.

28. National Small Industries Corpn. Ltd., Directory of Small Units Enlisted (Under Single Point Registration Scheme) for Government Purchases, 1980 and National Small Industries Corpn. Ltd., Directory of Small Scale Units Enlisted for Government Purchases, 1982.

whether the company is a small scale unit. Eastern Abrasives Ltd. (subsidiary of Carborundum Universal Ltd.), Chandigarh Super Foods Ltd. (subsidiary of Sun-Sip Ltd.) and A.P. Industrial Components P. Ltd. (subsidiary of Eureka Forbes Ltd.) are a few such cases. Forbes Forbes Campbell & Co. Ltd. is the ultimate parent of A.P. Industrial Components P. Ltd. The subsidiary company, which is also registered under the M RTP Act, claimed non-applicability of industrial licensing while reporting a production of 678 water purifiers for the year 1982-83. The company's Annual Report for the year 1981-82 shows that it had plant and machinery worth Rs. 45,086 (original cost) which was acquired during the year. In this case, the possible reasons for claiming non-applicability could be that the company is a small scale unit; registered or otherwise. Alternatively, the company might be treating itself to be outside the IDRA since it has lesser labour strength than the minimum required under the Act or because the items produced do not fall under the Scheduled Industries. The oft amended Notification No. S.O. 98(E)/IDRA/29B/73/1 dated February 16, 1973 which governs exemptions from industrial licensing does not make registration as a small scale unit obligatory for availing of the exemption. While this may have been intended to reduce problems for genuine small units, this can provide an escape route for many others from industrial licensing provisions.

Divisions of Large Companies as Small Scale Units:

Under the Companies Act, 1956 each company is under legal obligation to report on the total licensed capacity and production of different items irrespective of the location of the manufacturing activity undertaken.²⁹ We have, however, come across cases in which for some units a company reports holding of a licence while for other manufacturing units of the same company (often manufacturing the same

29. The Government of India Notification No. G.S.R. 494(E) dated October 30, 1973 requires companies to furnish details regarding their licensed and installed capacities and the actual production made during a financial year as part of the 'Notes' to the 'Profit and Loss Account'. For purposes of disclosure, the items for which the company is holding separate industrial licences shall be treated as separate classes of goods but where a company has more than one industrial licence for the production of the same item at different places or for expansion of the licensed capacity, the item covered by all such licences shall be treated as one class. Cf. INDIA, Ministry of Law, Justice and Company Affairs, Companies Act, 1956 (As modified upto the 1st July, 1975), 1976, p.417.

product), the company claims that no licence is needed as the manufacturing unit was registered as a small scale one. The Indian Standard Metal Co. Ltd. (Tata) claimed non-applicability of the licensing provisions to its Madras unit in its Annual Report for the year 1980 while continuing to report the licensed capacities of its Bombay unit.³⁰ We have cited earlier that the company had a registered small scale unit in Madras. Similarly, from the FASII Directory, cited earlier, we find that Sirdar Carbonic Gas Co. Ltd. (Thackersey) had small scale units in Andhra Pradesh and Delhi.³¹ The company mentioned in its Annual Report (1981) that the reported installed capacity of carbon dioxide "includes capacity of factories for which no licence was required".³² Paper Products Ltd. claimed in its Annual Report for the year 1979-80 that its Hyderabad, Kalyani and Faridabad plants did not need licences as they were small scale units.³³

Dalmia Ceramic Industries Ltd. (Rs. 2.77 crores assets and Rs. 4.16 crores sales in 1980-81) has two manufacturing units: One in Dalmiapuram, Tamil Nadu and the other in Hospet, Karnataka. This company reported a gross block (Plant & Machinery) of Rs. 119.35 lakhs as on 30.6.1981. The fact that the company has been registered for government purchases with the NSIC suggests that one of the units of the company is a small scale unit. Similarly, M.M. Rubber Co. Ltd. (Rs. 5.20 crores assets and Rs. 7.29 crores sales in 1980-81) has a small scale unit in Anna Salai, Madras for the manufacture of latex foam rubber products. The company has another manufacturing unit in Ranipet, Tamil Nadu for the manufacture of biaxially oriented polypropylene film for which it obtained Industrial Licence in 1976. The company is continuing its registration with the NSIC for government purchases of latex foam rubber products.³⁴

30. Investment Corporation of India Ltd., Annual Report, 1979-80, p.23.

31. Cf. FASII Directoy, op.cit.

32. Cf. Sirdar Carbonic Gas Co. Ltd., Annual Report, 1981-82, p.23.

33. Paper Products Ltd., Annual Report, 1980-81, p.27.

34. See Annual Reports for the year 1980-81 of Dalmia Ceramic Industries Ltd. and M.M. Rubber Co. Ltd., Prospectus issued in July 1978 of M.M. Rubber Co. Ltd. and Directory of Small Units Enlisted (Under single Point Registration Scheme) for Government Purchases, 1980 and Directory of Small Units Enlisted for Government Purchases, 1982, published by the National Small Industries Corporation Ltd.

Take Over of Small Scale Units by Large Companies:

It is interesting to find that large companies when they takeover already existing small scale units (either through merger or by making them subsidiaries) tend to continue to claim the exemption from industrial licensing system available to the small scale sector. New Standard Engineering Co. Ltd. which amalgamated Indian Furnance Co. Ltd. in 1977, for instance, claimed non-applicability of the licensing system in respect of the merging company's capacity on account of it being a small scale unit even in 1978-79.³⁵ Goodlass Nerolac Paints Ltd. a Tata House company (and also a former FERA company in which 39.5 per cent of the equity capital is still held by the Lead Industries Group Ltd. U.K.), took over two small scale units, viz., Chanda Paints (Madras) Ltd. and Saurashtra Paints Ltd., which became subsidiaries of the company during 1980. These two companies continued to claim non-applicability of industrial licensing to them even in 1982.³⁶ These two units, along with their parent company, got themselves registered under the MRTP Act with effect from December 31, 1981. The case of the pharmaceutical division of Kemp & Co. Ltd., taken over by Morarjee Gokuldas Spg. & Wvg. Mills Co. Ltd. also serves as an illustration of the above practice. The latter reported that "the licensed capacity for Pharmaceutical Division has not been given as the same is presently under the category of a Small Scale Industry, registered with the Directorate of Industries, Government of Maharashtra".³⁷ Similarly,

35. New Standard Engg. Co. Ltd., Annual Report, 1978-79. It was reported that "Indian Furnace Co. Ltd. is treated as a small scale industry under Industrial Licence No.MH-68/J-138 dated 16-9-1974, hence the figures of licensed capacity of item No.K(ii) have not been given" (p.28).

36. Goodlass Nerolac Paints Ltd., Annual Report, 1983. It is also interesting that Chanda Paints (Madras) Ltd. under the column 'Production for Sales' reported that it manufactured and/or reprocessed liquid paints, cement paints and synthetic resins (including varnishes) on behalf of the holding company. Saurashtra Paints Ltd. reported that in addition to the reported quantity of 'production for sales', it manufactured certain quantity of paints, enamels, stiff paints, cement paints, cement colours, varnishes etc. and resins on behalf of the holding company, viz., Goodlass Nerolac Paints Ltd. In contrast to this, the parent company reported that "production does not include goods processed outside", which obviously includes the quantities produced by Chanda Paints (Madras) Ltd. and Saurashtra Paints Ltd. for it.

37. Cf. Morarjee Gokuldas Spg. & Wvg. Co. Ltd., Annual Report, 1981-82, p.17.

Thana Electric Supply Co. Ltd. which had been registered under the M RTP Act till October 1978 as part of the Bombay Suburban Group, took over Electric Transformer and Equipment Co. Ltd. as a subsidiary in 1979. Subsequently, the subsidiary was amalgamated with the parent company in 1981. The fact that Thana Electric Supply Co. Ltd. (Assets: Rs. 11.51 crores and turnover: Rs. 4.33 crores in 1982) is now registered with the NSIC for government purchases (for transformers) clearly shows that the company's transformer division is treated as a small scale unit.

Chains of Small Scale Companies:

The policy towards the small scale industry, currentl. in vogue, specifies that a unit in the sector should not be a subsidiary of or owned or controlled by any other undertaking. We have already illustrated how Large Houses can control small scale units through inter-corporate investments. The fact that the practice is not confined to Large Houses alone is illustrated by registered small scale units like (i) Universal Carbon Ltd., 1830 shares (24%) of which are held by Subarna Plantations & Tdg. Co. Ltd., (ii) Stencils & Stencils Ltd., 1000 shares (14%) of which are held by Subarna Plantations & Tdg. Co. Ltd., and (iii) Tablets Ltd. in which Little's Oriental Balm & Pharmaceuticals Ltd., another small scale unit, held 9000 shares (9%). Similarly, two separate units of Central Paints Ltd. (Paints and Central Insecticides & Fertilisers) and its subsidiary, Savlar Paints Ltd. were registered with the NSIC for government purchases. Shetty's Pharmaceuticals & Biologicals Ltd., another small scale unit held 700 equity shares in Shetty Distributors. Farmak Ltd. was a wholly owned subsidiary of Aphali Pharmaceuticals Ltd., both of them being small scale units. Photophone Ltd., a small scale company, has a wholly owned subsidiary by name Photophone Projectors Ltd.³⁸ One can find many more examples of

38. Information on investments is taken from the Annual Reports of the respective investing companies. Universal Carbon Ltd., Stencils & Stencils Ltd., Central Paints Ltd., Savlar Paints Ltd., Tablets Ltd. and Photophone Ltd. were registered for government purchases (See National Small Industries Corpn. Ltd., Directory of Small Units Enlisted for Government Purchases, 1982). Shetty's Pharmaceuticals & Biologicals Ltd. was also registered for government purchases (see National Small Industries Corpn. Ltd., Directory of Small Units Enlisted for Government Purchases, 1976). Farmak Ltd. claimed non-applicability of licensing on the basis of being a small scale unit (see AR 1981) while its parent company, which also claimed non-applicability of licensing was among the small scale manufacturer-members of the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council.

small scale companies interconnected with other companies through intercorporate investments.³⁹

The TTK Group:

This practice can logically be expected to lead to the formation of well-knit groups of small scale units, the constituents of which are under control of a few individuals/families. The possibility of such groups becoming very large in course of time is evidenced by the TTK group. A number of companies belonging to the TTK group were registered as small scale units. The Directory of Small Scale Industrial Units in Madras State, 1965, referred to earlier, lists: (i) Orient Pharma Pvt. Ltd.; (ii) Oswal Pen Co.; (iii) Orient Cosmetics Pvt. Ltd.; (iv) Time Aids (I) Pvt. Ltd.; (v) U.M.S. Blade Factory (A Unit of T.T. Pvt. Ltd.); (vi) Tortoys Pvt. Ltd.; and (vii) Right Aids (Orient) Pvt. Ltd. of the group. The group now proudly announces:

From a small beginning in 1928 as an agency distributing consumer products of Lever Brothers, UK, the TTK Group has grown into a multi-product manufacturing conglomerate... Today the Group comprises 14 major companies manufacturing a range of consumer products. Prestige pressure cookers. Woodward's gripe water. Kohinoor contraceptives. Tantex Hosiery. Preet mixies and Kitchenware. Westclox timepieces. Williams shaving cream. Kiwi shoe polish. Maps and atlases... In the last decade, Group turnover has increased from Rs. 9.9 crores to Rs. 64 crores while the pre-Tax Profit of the Group companies has multiplied more than five-fold over the same period.⁴⁰

39. It would not be surprising to find a number of small scale units having 'associates' and 'sister concerns'. For instance, Directory and Who is Who of Faridabad Industries, 1973 (published by the Faridabad Industries Association) informs that (i) R.D. Victory & Co., and Victory Steel Sales P. Ltd. were associates of A.J. Main & Co. Engg. P. Ltd., a small scale unit; (ii) Capital Bus Service P. Ltd., Associated Service Station and Bharat Finance P. Ltd. were associates of Associated Traders & Engineers P. Ltd., another small scale unit; (iii) G. William (Fabrications) Pvt. Ltd., a small scale unit, had associates in G. Williams & Co. P. Ltd. and Bertrams - Scott (I) Ltd.; (iv) Indure Malleale & Alloy Castings P. Ltd., a small scale unit was an associate of Hindustan Dowidat Tools Ltd.; (v) Qualitex Machinery P. Ltd., a small scale unit was an associate of Qualitex P. Ltd.; and (vi) Deepak Pneumatics P. Ltd. and Khosla Foundry P. Ltd. were two small scale associates of K.G. Khosla Compressors Ltd. Apart from closely related groups of persons/families owning such associates or sister concerns, intercorporate investments is another method through which such groups of companies are formed.

40. This advertisement appeared in the Times of India dated October 18, 1982.

Safety Match Industry:

Metal Powder Co. Ltd. was given approvals under Section 297(1)⁴¹ of the Companies Act, 1956, to enter into contract with a large number of partnership firms and companies, a majority of which were in safety matches and fireworks industries.⁴² Manufacturing of safety matches and fireworks is reserved for the small scale sector. Thus most of these units may indeed be small scale units. Since approval was given under Section 297(1), it means that the directors of Metal Powder Co. Ltd. or their relatives were interested in these units. The nature and circumstances under which these contracts were entered into need further investigation. Moreover, some of these units appear to be operating in close co-ordination with each other. For instance, Hind Matches Ltd., Standard Match Industries P. Ltd. and Standard Match Industries marketed matches under the brand name 'SUN FLOWER'. The first two have a common registered office address. Similarly, Tenzing Match works used 'CHAVI', the registered trade mark of Asia Match Co. P. Ltd.

Menezes Group:

Cosme Matias Menezes Group of Goa appears to be another group containing many small scale units. Out of the 14 constituents of the group, Colfax Laboratories P. Ltd., Carter Wallace Ltd., Leukoplast (I) P. Ltd. and Rapidur (India) P. Ltd. were registered with the NSIC for

41. Under Section 297(1) of the Companies Act, 1956 companies with paid up capital of more than Rs. 1 crore need to get the approval of the Government in respect of the contracts that may be entered into by a director of the company or his relative, a firm in which such a director or relative is a partner, any other partner in such a firm, or a private company of which the director is member or a director, with the company. Cf. Companies Act, 1956 (As modified upto the 1st July, 1975).
42. Metal Powder Company Ltd. was given approval under Section 297(1) for entering into contract with (1) Nadar Press Ltd. and 21 other parties for purchase of goods, (2) National Fireworks Factory and 32 other parties for sale of goods, (3) Standard Fireworks Industries, (4) Rajaratnam Fireworks Industries, (5) Imperial Match Works, (6) Jayam Match Works, (7) Chinnapa Colour Match Works, (8) Janaki Match Works, (9) Raj Match Works, (10) Jasmine Match Works, (11) Alpha Match Works, (12) United Match Works, (13) Alpha Paper Caps Inds., (14) Asia Match Co. P. Ltd., (15) Rukmani Match Works, (16) Standard Match Inds., (17) Hind Matches Ltd., (18) Bell Match Co., (19) Bell Fireworks Co., (20) S.V.K. Meenakshi Sundar Nadar, (21) Standard Fireworks P. Ltd., (22) South India Lucifer Match Works, (23) Tenzing Match Works, (24) Standard Match Inds. P. Ltd. and (25) Boopathy Match Inds. (Cf. Company News and Notes, February 1980 issue for (1) and (2); November 1980 issue for (3) to (23); August 1982 issue for (24); and September 1982 issue for (25). (16) (22) and (23) were registered for government purchases as small scale units.

government purchases being small scale units.⁴³ Another company of the group, is reported to be collaborating with Peico Electronics & Electricals Ltd., as a small scale manufacturer of hearing aids, an item reserved for production in the small scale sector.⁴⁴

Khaitan Group:

Khaitan Electricals Ltd. is one of the three manufacturing companies in the Khaitan Group, the other two being Khaitan Tibrewala Electricals Ltd. (sales Rs.4.87 crores in 1981) and Khaitan Fans Pvt. Ltd. (The company achieved a turnover of Rs. 3.35 crores during the first six months of 1983.) The group is reported to have extended technical know-how to the Kerala Government (including adoption of brand name) and is on the "threshold of extending similar consultancy to other parties outside India". 'Khaitan' is also said to be "in the forefront of fan industry". It is interesting to note that both Khaitan Electricals Ltd. and Khaitan Tibrewala Electricals Ltd. are registered small scale units.⁴⁵

Universal Radiators Group:

There are a number of companies and partnership firms in the Universal Radiators Ltd. group. The available information shows that at least three companies belonging to this group, namely, Universal Heat Exchangers Ltd., Southern Press Tools Ltd. and Manju Electrical Industries P. Ltd. are in the small scale sector.⁴⁶

43. See National Small Industries Corporation Ltd., Directory of Small Units Enlisted for Government Purchases, 1976 for the first three companies. For Rapidur (India) P. Ltd. see National Small Industries Corporation Ltd., Directory of Small Units Enlisted for Government Purchases, 1982.

44. See also the section on large companies trading the products of small scale units in Chapter IV.

45. See the Prospectus of Khaitan Electricals Ltd., dated November 14, 1983, for further details about the Group. The company took over the business of Khaitan Electricals, Faridabad, a unit registered with the NSIC for government purchases and the company is now registered with the Director of Industries, Haryana vide Registration No. 05/12/04395/PMT/SSI. Khaitan Tibrewala Electricals Ltd. is also registered with the NSIC (See National Small Industries Corporation Ltd., Directory of Small Units Enlisted for Government Purchases, 1982).

46. Universal Radiators Ltd. is one of the companies registered with the DGTD for manufacture of automobile radiators. According to the information available from Ancillaries From India, published by the Engineering Export Promotion Council (1982), the Universal
(Contd...)

In this respect it may be useful to refer to the Report of the Sachar Committee which while recommending additional exemptions and privileges to small private limited companies (whose PUC does not exceed Rs. 5 lakhs) suggested the following conditions so as to "safeguard against adjuncts or appendages of large scale business creeping into the exempted fold." The Committee suggested inter alia, that

- (a) the small company does not have a body corporate other than a Government Company or statutory body, or a public financial institution or a bank, as its shareholders and
- (b) the small company does not invest in shares of another body corporate.

It appears necessary to incorporate such conditions in the case of small scale industries too.

Transnational Corporations in the Small Scale Sector:

The Foreign Investment Policy Statement of 1949 visualized that India being a capital scarce country, foreign capital would help her to achieve a higher rate of investment and thereby would promote economic growth.⁴⁸ The inflow of foreign capital was, in particular, expected to ease foreign exchange problem during the initial stages of the planned process of economic development. It was also argued that since technology and capital often flow in the form of a package, the entry of foreign capital in India would also facilitate inflow of modern and sophisticated technologies, particularly in the industrial sector. While the need and the importance of foreign capital was appreciated it was recognised that foreign investments could not be permitted at the cost of the development of national entrepreneurship, indigenous

Radiators group consists of (1) Universal Radiators Ltd., (2) Madras Radiators and Pressings Ltd., (3) Kempf (I) Ltd., (4) Universal Heat Exchangers Ltd., (5) Manju Electrical Inds. Ltd., (6) Universal Brakes P. Ltd., (7) Haryana Radiators Ltd., (8) ACM Castings P. Ltd., (9) Deccan Radiators & Pressings P. Ltd., (10) Unimech Inds. Ltd., (11) Southern Press Tools Ltd. and (12) Coimbatore Pressings. A scrutiny of the Annual Reports of some of these companies not only confirms the existence of the group, but also shows that it is a much larger one. While companies (4) and (11) informed in their Annual Reports that they are registered as small scale industries, the company (5) is registered with the NSIC for government purchases.

- 47. INDIA, Ministry of Law, Justice and Company Affairs (Department of Company Affairs), Report of the High-Powered Expert Committee on Companies and MRTF Acts, 1978, pp. 23 & 24.
- 48. Foreign Investment Policy Statement, April 6, 1949 made by the then Prime Minister Jawaharlal Nehru in the Constituent Assembly (Legislative).

technology and national priorities. The foreign private capital, therefore, was assigned a role within the overall framework of planned development and regulations.

The Indian economy faced a serious foreign exchange crisis during the late 'fifties. To meet the situation, the Government decided to relax the terms and conditions of entry of foreign private capital into the Indian economy. Instead of restricting foreign private capital to industries wherein indigenous technologies had not been developed, the Government decided to permit (and even prefer) industrial projects which had foreign associates to take care of the foreign exchange costs involved.⁴⁹ The placement of a premium on foreign participation encouraged the entry of new TNCs and enabled the ones which already had a foothold in the country to expand and make entry in a number of industries which were either reserved for the public sector or were not open to foreign capital.

The official criteria for a small scale unit, as discussed earlier, has been in terms of the size of investment in the manufacturing unit. Until 1970, there were no restrictions on the entry and operation of foreign private capital in the small scale sector. A number of foreign controlled companies operating in India had been registered as small scale units, during the early 'sixties. It does not, therefore, appear to be any surprise if well known foreign companies like Coates of India Ltd., Bayer Agrochem Ltd., Nicholas (I) Ltd., Roche Products Pvt. Ltd., find a place in the list of small scale units in the Maharashtra State in 1962.⁵⁰ The All India Directory and Handbook of Small Industries (1966),⁵¹ published by the Federation of Associations of Small Industries of India (FASII), listed the Delhi unit of the Britannia Biscuit Company Ltd. (then a foreign subsidiary) as a small scale unit. Similarly, Minimax Ltd. Ranchi and Monotype Corpn. Bangalore (both operating as foreign branches in 1966) and Avery Co. of (I) Ltd., then a

49. ILPIC Report, op. cit.

50. Director of Industries, Maharashtra, Commercial Directory of Industries in Maharashtra Part I -- Small Scale Industrial Units Registered under the Factories Act, 1948 in Maharashtra State, Bombay, 1962.

51. Cf. Federation of Associations of Small Industries of India, FASII, All India Directory and Hand Book of Small Industries, 1966.

foreign subsidiary, were among the other TNCs included in the FASII Directory. Castrol Ltd. UK., had been operating in India as a foreign branch till recently. The company's Madras unit was one of the small scale units registered with the Director of Industries and Commerce, Government of Madras (1965).⁵² General Electric Co. of (I) Ltd. (GEC) provides another example of a transnational company which operated in the small scale sector through a number of subsidiaries viz. Bluemount Ceramics (P) Ltd., Sankar Electricals (P) Ltd. and India Transformers Ltd.⁵³

In 1970, the Government announced that foreign companies operating in the country's small scale sector would not be exempted from the obligations of the IDRA, 1951.⁵⁴ For general policy purposes, foreign companies were to be treated on par with companies belonging to the Larger Industrial Houses. The non-applicability of the exemption was later (1973) extended among others to "undertakings owned by foreign companies, their branches or subsidiaries or companies in respect of which more than 50 per cent of the paid-up equity share capital is held directly or indirectly by foreign companies, their branches or subsidiaries, or by foreign nationals or non-resident Indians".⁵⁵ In

52. W.J. Bush Products Pvt. Ltd., then a foreign subsidiary and Chelpark Co. Ltd., Maypar Leather Mfg. Co. P. Ltd. and South Indian Export Co. Ltd. (these have later got registered under FERA, 1973) were some of the other units registered with the Director of Industries and Commerce, Tamilnadu.

53. While Bluemount Ceramics P. Ltd. and Sankar Electricals P. Ltd. were among the registered small scale units listed in the Directory of Small Scale Industrial Units in Tamil Nadu (1969) (see Government of Tamil Nadu, Director of Industries and Commerce, Directory of Small Scale Industrial Units in Tamil Nadu (Supplement to the Second Edition) Madras 1969), India Transformers Ltd., another subsidiary of GEC, was one of the small scale units included in the FASII Directory referred to earlier. This subsidiary was also found to be registered for government purchases with the NSIC being a small scale unit. (See National Small Industries Corpn. Ltd., Directory of Small Units Enlisted for Government Purchases, 1976).

54. Cf. Notification No.713/IDRA/29B/70/1 dated February 19, 1970 of the Ministry of Industrial Development, Internal Trade and Company Affairs, (Reproduced as Appendix I in Estimates Committee (1971-72) Nineteenth Report: Industrial Licensing, 1972). The notification specified that all industrial undertakings which have or propose to have fixed assets in plant and machinery not exceeding Rs. 7.5 lakhs would be exempted from the operation of the provisions of IDRA, 1951. This exemption was however not applicable, among others to the undertakings belonging to foreign companies, branches or subsidiaries of foreign companies.

55. Cf. Notification No. S.O. 98(E)/IDRA/29B/73/1 (Reproduced in Guidelines for Industries, 1975-76).

1976, the Government decided to exclude companies with 40 per cent or above, (direct and indirect) foreign equity for being treated as Small Scale Units⁵⁶ for purposes of the IDRA, 1951. In 1978, the policy was however, relaxed and companies with over 40 per cent direct foreign equity alone were excluded from the applicability of the exemption thus bringing it at par with the definition of a company under the Foreign Exchange Regulation Act, 1973.⁵⁷ If the foreign equity holdings were indirect, the company could avail the exemptions from the ILS. However, it may be mentioned here that the definition of a small scale unit never excluded foreign companies from the purview of the small scale sector nor did it ever refer to foreign equity in small scale companies.

The Foreign Exchange Regulation Act (FERA) which was enacted in 1973 laid a general ceiling at 40 per cent on the extent of foreign participation in all existing Indian companies. Under this Act, all Indian subsidiaries of foreign companies were required to dilute their foreign equity participation to not more than 40 per cent unless they could convince the Government that their operations were technology intensive or predominantly export-oriented. Similarly, foreign branches operating in the country were required to convert themselves into Indian companies. It is obvious that if the FERA was to be enforced, there would legally be no "foreign" company operating in the country since they would have diluted their foreign equity to 40 per cent or below. This dilution would take them out of all such restrictions which go with foreign controlled or owned capital. These would indeed earn the title of being 'Indian' companies and therefore are not to be discriminated against in any manner. This, probably, explains the decline in the number of companies covered under the FERA from 860 in 1973 to about 150 by May, 1982.⁵⁸ The sharp decline in the number of companies in the ambit of FERA and other regulations does not, however, imply that with the dilution of the equity the companies have ceased to be foreign

56. Cf. Guidelines for Industries (1979), p. Sec. IV-15.

57. Ibid.

58. Cf. Answer provided by the Minister of State for Finance in response to an unstarred question (No.1364) in the Rajya Sabha. This, however, excludes the companies where permission under Section 29(2)(a) of FERA has been granted on a "non-repatriation" of capital and income basis.

controlled. Indian subsidiaries of foreign companies, which diluted the level of foreign equity to forty per cent or below, have many a time adopted a new practice. Such companies insert a new clause in their 'Articles of Association' giving specific rights to the foreign parent companies (now minority shareholders) to appoint a number of directors, chairmen and make other key appointments so that the management control would continue to be the same as that prior to the dilution.⁵⁹

Transnational Corporations (TNCs) which had been operating as small scale units had thus two reasons to dilute their foreign equity to a level not exceeding 40 per cent: One, to comply with the FERA directives, and the other, to remain eligible for exemption from the industrial licensing system - (even after the 1978 guidelines). A good number of TNCs operating in the country as small scale units, therefore, diluted their foreign equity to 40 per cent or less and earned eligibility to be treated as 'Indian companies' though many of these were still under effective foreign control.

It is relevant to note that a foreign subsidiary which was enjoying the benefits of small scale units can continue to claim to be a small scale manufacturer by diluting its foreign equity to 40 per cent. For instance, Fulford (I) Ltd. in which its British parent company Schering Plough Holdings, UK enjoys the right to appoint or remove "one third of the total number of Directors" so long as the British company holds 10 per cent or more of the share capital⁶⁰, and which reduced its foreign equity to 40 per cent in 1981, claimed in its Annual Report (1981) that "The Industries (Development & Regulation) Act, 1951 is not applicable to the company and hence licensed capacities are not applicable".⁶¹ This information has to be seen in the light of the fact that the company is one of the small scale manufacturer-members of the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council even in 1983.⁶² Sawyers Asia Ltd. (Annual Report 1979), Shah Medical and

59. See S.K. Goyal, "NIEO and Transnational Corporations", Secular Democracy, Annual Number 1983, pp. 126-134, Table III for an illustrative list of foreign companies which incorporated certain restrictive clauses in their Articles of Associations.

60. Fulford India Ltd., Prospectus dated August 27, 1981.

61. Fulford India Ltd., Annual Report, 1981.

62. See Note 10 above.

Surgical Co. Ltd. (Annual Report 1975), Heatley & Gresham (I) Ltd. (Annual Report 1976), E.P. Allam of (I) Ltd. (Annual Report 1977), Knit-Foulds Ltd. (Annual Report 1977), Ericsson India Ltd. (Annual Report 1978), Beclawat of (I) Ltd. (Annual Report 1977) are a few other instances where the FERA companies of 1975 claimed themselves to be small scale units in their Annual Reports. (See the Appendix for the claims). Many of these companies might have gone out of the net of the FERA in the recent past.

Drugs and pharmaceutical industry is probably the sector where TNCs operating as small scale units are concentrated the most. For instance, the American TNCs like US Vitamins & Pharmaceuticals Corporation and Elly Lilly (I) were enlisted for government purchases as small scale units.⁶³ Carter Wallace Ltd., another company enlisted for government purchases, in its Annual Report (1978) claimed non-applicability of the industrial licensing system as it was "a small scale industry". Another American TNC, Johnson & Johnson Ltd. (a foreign subsidiary even now) formed a wholly owned subsidiary, namely, Ethnor Ltd. to claim non-applicability of the licensing provisions to its manufacturing activities.⁶⁴ Organon (I) Ltd. (a FERA company till recently) owns a subsidiary Chefaro Pharmaceuticals Ltd. which claims that no licence is required as it is a small scale unit.⁶⁵ Ethnor Ltd. and Chefaro Pharmaceuticals Ltd. probably are taking advantage of the fact that the investment by parent companies in them amounts to indirect foreign equity. Franco-Indian Pharmaceuticals P. Ltd. (Annual Report 1977) also reported that it was a small scale unit.

The Hathi Committee report on the Drugs & Pharmaceutical Industry (1975) had noted that out of the 66 pharmaceutical units with foreign equity, 15 were registered as small scale units, 9 of which were with foreign equity exceeding 50 per cent. The Committee understood that "foreign companies which are unable to secure a foothold in the drug industry in the country in terms of the Industrial Policy sometimes by pass the regulations by purchasing a company operating in this country

63. National Small Industries Corporation Ltd., Directory of Small Units Enlisted for Government Purchases, 1976.

64. Cf. Ethnor Ltd., Annual Report, 1980-81.

65. Cf. Chefaro Pharmaceuticals Ltd., Annual Report, 1982, p.14.

and working through it. Many foreign companies have also grown up in size by operating in the small scale sector". The Committee made a specific recommendation that "the small-scale sector should be a prohibited area for foreign companies".⁶⁵ The Statement on Drug Policy (1978) did incorporate the recommendations of the Hathi Committee and provided that the "Small scale sector will be prohibited area for foreign companies"(para 23).⁶⁷ The pity, however, is that there is no legal definition of 'a foreign company'. If a 'foreign company' is to be defined as the one with over '40 per cent direct foreign equity' for the purposes of the implementation of this provision, the new drug policy would only be an eyewash. Since the subsidiary of a foreign company could bring down the foreign equity to 40 per cent and continue to remain in the small scale sector.

An assumption in the Industrial Policy statement of 1949 was that foreign private capital would supplement the national capital. The foreign exchange part, in particular, would be met by foreign associates. This assumption does not appear to hold good for the small scale sector as there were TNCs which have availed of the facility of obtaining imported machinery, on hire-purchase basis, from the National Small Industries Corporation. Suessen Textile Bearings Ltd., an Indian affiliate of a Swiss TNC, in which 26 per cent equity is still held abroad and Fordham Pressing (I) P. Ltd., a company registered under the FERA, were some of those who obtained imported machinery on concessional and Hire-Purchase basis, through the NSIC.⁶⁸

Transnationals with a wide network of operations and a number of advantages were supposed to bring the much needed capital to India. Instead these corporations have been able to not only avail of the limited facilities but also to become competitors to the local small entrepreneurs. These TNCs have become 'insiders' to enjoy the protected market that was intended for the small indigenous entrepreneurs.

66. INDIA, Ministry of Petroleum & Chemicals, Committee on Drugs and Pharmaceuticals: Report, 1975, p.100.

67. Cf. Statement on Drug Policy, 1978, para 23, as reproduced in Guidelines for Industries (1982).

68. Cf. National Small Industries Corp'n. Ltd., Directory of Machinery Supplied on Hire Purchase, 1976.

Technology Imports in the Small Scale Sector:

Another reason for protection and promotion of the small scale sector lay in the fact that the sector constituted of large many workers and small entrepreneurs who had the skill but did not possess adequate economic strength to face open competition from the large scale manufacturers with huge capital resources. The competition among entrepreneurs of differing economic strengths was bound to be unfair. The Ford Foundation Team (1954), however, argued that the workers of India were wasting their talents in a "hopeless race against modern technology". Dr. Douglas Ensminger, the Ford Foundation representative in India who enjoyed considerable influence in the Government of India, pleaded for establishment of contacts between Indian and foreign industrialists. He felt that "such contacts might lead to collaboration agreements for the manufacture of patented products in India" and that "it would be the responsibility of the Central Small Industries Organisation to develop the foreign contact and then to facilitate the relationship between the foreign and Indian industrialists".⁶⁹

There seems to have been little serious thought on the implication of permitting/encouraging small scale units to have foreign collaborations. On the one hand, if a unit was able to enter into a foreign collaboration, it acquires the rights to produce patented goods as a monopoly producer of the products which were formerly being imported. In a sense it was import substitution, but at the same time it placed the collaborating unit at a privileged position vis-a-vis all others who did not have the patent rights nor the imported technology and machinery for manufacturing that product. Thus unequal positions were created within the small scale sector by the policy that permitted foreign collaborations in the small scale sector. Secondly, because the small scale sector was exempted from the operation of the Industrial Licensing System, it offered an easy entry point for foreign private capital in soft technology areas and for manufacture of low priority products which catered to the needs of the prosperous elite. Thirdly,

69. Cf. Douglas Ensminger, "Our Small Scale Industries ... Great Possibilities Ahead -- Better Organisation Urged, Need for Technical Information Service", Major Industries of India, Annual 1961, pp. 249-261.

apart from the entry of foreign capital and the avoidable foreign exchange burden, the policy to permit foreign collaboration did introduce a large scope for distortion in the plan priorities and rational allocation of scarce national resources. And finally, in the face of the fact that there had been no restrictions on Large Houses for entry into the small scale sector the policy to permit technical and financial collaborations seems to have proved a convenient route to (a) enter into areas reserved for the small scale sector without obtaining an industrial licence, (b) obtain fiscal and various other concessions, and (c) have the foreign patents and thereby establish product monopolies.

All this was, for obvious reasons, against the very spirit of the basic thought on which protection and promotion of the small scale sector has ever been argued. The Industrial Licensing Policy Inquiry Committee (ILPIC) underlined the fact that a number of firms were interested in entering into foreign collaborations even in the areas where "no great advantage by way of obtaining technical know-how was to be gained" because foreign brand names provide an advantage in certain markets. The Committee highlighted that a large number of collaborations were signed in consumer goods where there was no "apparent justification".⁷⁰ Industries like loudspeakers, toys, sports goods, spectacle hinges, snap fasteners, ball point pens, vacuum flasks, crockery, lipsticks and other cosmetics, tooth paste and readymade garments were cited in support of this observation. There are large number of foreign collaborations in the small scale sector.⁷¹ In many cases the collaborations were accompanied by issuing shares to the foreign collaborator in lieu of cash payments for imported machinery.⁷²

70. ILPIC Report, op. cit., p.130.

71. For instance, Mr. K.K.Mehan, former Deputy Director of the Small Scale Industries Organisation expressed, "Don't ask me for cases where small units in India run with foreign collaboration, for, these are far too many." K.K.Mehan, Small Industries Entrepreneurs Hand Book, 1973, p.170.

72. There have been divergent opinions on the extent of equity share that is required for control over a company. While a company with 40 per cent or lower foreign equity is being treated as 'Indian' for all policy purposes, under the Reserve Bank of India definition, a company with 25 per cent foreign equity is treated to be a foreign controlled one. Abroad companies with 10 per cent (USA) or even 5 per cent (Canada) are considered foreign. (Cf. (Contd...))

J.K. Helen Curtis Ltd. (J.K. Singhanian), a registered small scale unit, cited earlier, is solely operating in the cosmetics industry. It had more than 40 per cent foreign equity until the equity dilution under FERA. Similarly, Colfax Laboratories (I) P. Ltd., makers of the popular 'Old Spice' brand of cosmetics, is still having 40 per cent of the equity held by Shoulton USA, a subsidiary of American Cynamid Inc.⁷³ The unit was, however, a small scale one.

Recently another case of a TNC setting up an affiliate in India as a small scale unit was in the news. The Bry-Air India (P) Ltd. plant in which Bry-Air Inc. USA, one of the three manufacturers of dehumidification equipment in the world, retains 25 per cent equity, was inaugurated by the US ambassador himself. It was noted that the venture will be in the small scale sector and that the Haryana Financial Corporation "allocated land and finance within 45 days of the application" and that Mr. Paul D. Griesse, President of Bry-Air Inc. USA was highly appreciative of this gesture".⁷⁴ This is said to be the first unit of its kind in India which means that it obviously would enjoy monopoly position.

Ancillary Industries:

Small scale units are also established as ancillaries to large industrial projects. The programme of ancillarisation was started during the Third Five Year Plan period in pursuance of the recommendations of the Committee on Ancillary Industries. The Committee's recommendations included establishment of industrial estates for small ancillary units in collaboration with public sector undertakings and extension of preferential terms for supply of machinery on hire-purchase basis.⁷⁵ A higher investment limit was allowed to

Nagesh Kumar & Kamal Mitra Chenoy, "Multinationals and Self-Reliance : A Case Study of the Drugs and Pharmaceutical Industry", Social Scientist, Issue No. 107, April 1982, p. 16-17). Leaving aside small scale FERA companies, which have since diluted their foreign equity to 40 per cent or below, one would come across a number of small scale companies with foreign equity participation.

73. Cf. Business India, dated December 7-20, 1981. p. 85.

74. Press reports appearing in various newspapers on March 3, 1983.

75. INDIA, Planning Commission, Third Five Year Plan: Progress Report, 1961-62, 1963, p.127.

ancillary units with the understanding that a unit which has to supply precision components to large scale units might need a higher fixed capital. While allowing a higher investment limit of Rs. 10 lakhs, compared to Rs. 5 lakhs applicable to small scale units, an additional stipulation was placed on the ancillary units. The Working Group on Small Scale Industries (1965) gave the definition of an ancillary unit in the following manner:

A unit which produced parts, components, sub-assemblies and tooling for supply against known or anticipated demand of one or more of large units manufacturing/assembling complete products and which is not a subsidiary to or controlled by any large unit in regard to the negotiations or contracts for supply of its goods to any large unit. This shall not however, preclude an ancillary unit from entering into an agreement with a large unit giving it the first option to take the former's output.⁷⁶ (emphasis added)

This definition automatically excludes subsidiaries or other controlled companies of large companies from the purview of the ancillary development since a subsidiary company or a company in which substantial shares are held by large companies cannot be expected to act independently in matters of negotiations of contracts. In this background, it is quite surprising to note that the definition of an ancillary unit, as appearing in the February, 1973 Notification of the government, did not stipulate the necessity of independent character of an ancillary unit.⁷⁷ It was only in May, 1975 that a condition was imposed in the definition of ancillary unit that "no such undertaking shall be a subsidiary of, or owned or controlled by, any other undertaking".⁷⁸

The success or failure of ancillary units is wholly related to the extent of business patronage that the large unit is ready to extend. The nature of the relationship between a large project and its ancillaries is that of near total dependency. An illustrative example of a set of ancillaries and their 'parents' may help to elucidate the extent of freedom allowed to the former. Mushrooms Ltd., which itself

76. INDIA, Ministry of Industry, Report of the Sub-Group on Small Scale Industries, 1965, p.271. See also INDIA, Development Commissioner (Small Scale Industries), Credit Facilities to Small Scale Industries, 1969, p.7.

77. Cf. INDIA, The Gazetteer of India Extraordinary, Part II - Section 3 Sub-section (ii) Notification No. S.O.98(E)/IDRA/29B/73/1 of the Ministry of Industrial Development dated February 16, 1973.

78. Press Note dated 19th May, 1975 reproduced in Guidelines for Industries (1979), p. Sec. II-7.

was a small scale unit, reported in its prospectus the details of the contracts entered into by the company and its ancillaries, all of which individually fall under the purview of the small scale sector. The following are a few extracts from the Prospectus.

The ancillaries shall supply semi-processed and processed raw materials in conformity with the specifications to be provided by the Company, under the supervision of the Company's personnel. The company shall supply premixed raw materials for semi-processing, extrusion etc. where the products thus manufactured involve manufacturing trade secrets.

So long as the services of the ancillary units have not been requisitioned by the Company they shall operate as independent industrial units retaining the right to manufacture and sell such products as can be manufactured and sold by the utilisation of plant and machinery installed and owned by them, so long as such activities does not mar the objective of processing and supplying material to the Company on a preferential basis, which is the main objective for setting up of the ancillary units.

The Company shall at all time have a first and paramount lien upon the manufacturing facility provided by the ancillary units, so long as production time has been requisitioned by the Company in support of its manufacturing activity. The ancillary units are barred from entering into any exclusive contract of continuing nature for supply of material with any third party without the specific prior written consent of the Company.

In the event of there being any moneys outstanding and payable by the ancillary units, the company shall have a floating charge from time to time or at any time on all or any of the assets under the ownership of the ancillary units and the said charge shall be exhibited in the manner and context specified by the Company from time to time.

The ancillary owners shall pay all their personal debts and debts relating to their business PUNCTUALLY and give no scope for any attachments, seizures or sale of the properties or their business and shall further indemnify the company against any loss or damage that may occur to it under such circumstances.

The basic plant and machinery to be procured by the ancillaries and installed on the premises will be in consultation with, the recommendation and prior approval in writing of the Company.

All manufacturing activity to be conducted for and/or on behalf of the Company shall be executed under the prime supervision of authorised personnel of the Company.

Technological knowhow required from time to time in connection with the setting up and operation of the ancillary units shall be provided by the Company and/or their nominee/consultants.

The ancillary owners for purpose of protecting any process and manufacturing systems that could be in the nature of trade-secrets, manufacturing secrets, inventions and/or secret formula, shall abide by the security measures and such terms and conditions that may be annexed there to intended to protect the interests of the Company and the ancillaries themselves. (emphasis added)

Establishment of satellite ancillary units by managements of large undertakings as personal and benami units cannot also be ruled out. It appears that such a practice has been continuing for a long period. In

1963 itself, it was observed that "~~family-owned ancillaries and captive corporate arrangements have sprung up~~" to take advantage of some schemes for assisting ancillaries.⁸⁰ While one cannot expect that all ancillaries to be 'owned' by the management of the large 'parent' company, a large number of ancillary units are likely to be "subsidiaries or de facto branches or extensions of larger units".⁸¹ When these two types of ancillaries exist, it is obvious that the latter gets a favourable treatment in all types of deals with the 'parent' company.

Bharat Radiators:

In addition to the unequal relationship between the umbrella unit and its ancillaries and the latter's dependence upon the former it is observed that a number of ancillaries were started by the same people who owned or controlled the umbrella units and availed the accompanying benefits. The case of Bharat Radiators (P) Ltd., is illustrative of this phenomenon. a descriptive story on the company which appeared in Business India dated February 4, 1980 highlights the fact that Premier Automobiles Ltd., (PAL) a Walchand House company, sought a licence in the 'fifties for the manufacture of tubular radiators for captive consumption. But the government was opposed to the vertical expansion of PAL and wanted that manufacture of radiators be taken up by a small scale ancillary industry. The Small Industries Service Institute (SISI) prepared a project report for this purpose. At that time Ms. Sharayu Daftary, daughter of Lalchand Hirachand, Chairman of PAL, came upon the scene. The National Small Industries Corporation Ltd. (NSIC) put up the entire manufacturing plant worth Rs. 1.00 lakh and another sum of Rs.1.00 lakh for land, buildings and capital requirements was raised by three brothers of Ms. Daftary. Bharat Radiators P. Ltd. (BRL) thus came into existence as a small scale unit. For the first three years the entire output of BRL was bought by PAL but later it started selling to Mahindra & Mahindra and other companies as well. PAL still accounts for 30 per cent of BRL's sales. The company got itself registered under the

-
80. INDIA, Ministry of Industry, Development of Small Scale Industries in India: Report of the International Perspective Planning Team, 1963, p.133. The team was sponsored by the Ford Foundation.
81. S.K. Goyal, "Small Scale Sector: Some Policy Issues", a paper presented in the Seminar on The Role of Small Scale Industries in the Fifth Plan (March 15-16, 1974) (Mimeo).

M RTP Act in 1974 as a Walchand House Company and is now the fourth largest producer of radiators in the country. The company is no longer in the small scale sector.

Enfield India:

Enfield (I) Ltd. is another useful case to illustrate how, ancillaries and 'parents' are closely related to each other. The Directory of Small Scale Units Registered with the Director of Industries, Madras contains a number of units whose main activity was to supply various components to Enfield (I) Ltd. A number of them were located at the Enfield Industrial Estate. The fact that Madras (Motors) Pvt. Ltd., was owned by the family of K.R. Sundaram Iyer, the founder chairman of Enfield India Ltd., (who remained its chairman till he resigned in 1978) is evident from the following excerpt from the Annual Report of Enfield India Ltd., for the year 1969.

Mr. K.R. Sundaram Iyer and Mr. K. Eswaran (Chairman and Director respectively of Enfield India Ltd.) were shareholders and Directors of Madras Motors Private Limited upto 1st July, 1969, holding 10 Shares of Rs.500/- each and 2 shares of Rs.500/- each respectively, out of the paid up capital of Rs.217000/-. They resigned their office of Directorship and also transferred the said shares on 1st July, 1969. Further by the reason of the fact that their close relatives and members of the families of the said two Directors, and Mr. S. Sankaran, the Managing director of the company, are directors, shareholders and employees of Madras Motors Private Limited and hold the bulk of the shares in the said company, the directors are to be deemed to be interested in the said resolution submitted to this meeting.

It may also be noted that Madras Motors Pvt. Ltd. and English Cycle & Motor Importing Co. Pvt. Ltd., two of the ancillary small scale units located at the Industrial Estate and availed of the hire-purchase scheme of the NSIC, appear among the top ten shareholders of Enfield India Ltd. as on July 24, 1980.⁸³

82. Cf. Share Distribution Schedule of Enfield India Ltd., available With the Corporate Information System of the Indian Institute of Public Administration, New Delhi.

83. Enfield India Ltd., Annual Report, 1969, p.9. Besides Madras Motors P. Ltd. and English Cycle & Motor Importing Co. Ltd., a number of ancillaries of the Company availed of the hire-purchase scheme of the NSIC. The Annual Report of Madras Motors Ltd. for the year 1977 contains a number of firms in which the directors of the Company were partners. One such firm Hari & Hari is also a beneficiary of the hire-purchase scheme as an ancillary unit.

Standard Motor Products:

The case of Standard Motor Products of India Ltd., is also similar to that of Enfield (I) Ltd. the fact that the company had entered into contracts with a number of associate companies viz. 1. Hydraulics Ltd., 2. Union Co. (Accessories) P. Ltd., 3. Carburettors Ltd., 4. Unicorn P. Ltd., 5. Union Services P. Ltd., 6. Haritha P. Ltd., 7. Union Co. (Motors) P. Ltd., and 8. Union Co. (Bangalore) P. Ltd. becomes evident from a study of the prospectus of the company issued in 1967.⁸⁴ The prospectus also shows the extent of interest of Mr. K. Gopalakrishna, Mr. K.V. Srinivasan, Chairman and Director respectively of the company, and their relatives.⁸⁵

The company's contracts (with the first four companies above) were for "mutual rendering of services," namely, the company "rendering engineering and other services such as heat treatment and shot blasting etc." and the contracting company for "rendering engineering and other services such as repair of machine tools and tool making". The agreements provided for sale by the company to them "raw materials, castings, components, spare parts, steel, dies, tools, etc." and the company was to purchase : 1. shock absorbers, components etc. from Hydraulics Ltd.; 2. radiators, hub caps, horns etc. from Union Co. (Accessories) P. Ltd.; 3. Solex Carburettors and S.E.V. fuel pumps from Carburettors Ltd., and 4. seat frames, exhaust pipes, silencers etc. from Unicorn P. Ltd. Interestingly enough, Hydraulics P. Ltd., Union Co. (Accessories) P. Ltd., and Carburettors Ltd. were registered as small scale units with the Government of Madras (now Tamil Nadu).⁸⁶

Hegde & Golay:

Another case of interest is that of the ancillaries of Hegde & Golay Ltd. A number of ancillaries are located at the Shreeshyla

84. Standard Motor Products of India Ltd., Prospectus, dated October 31, 1967.

85. These two were also directors and shareholders of the Managing Agents of the Company, namely, Standard Motor Co. (I) P. Ltd. Moreover, Mr. K. Gopalakrishna, Chairman of the company was Managing Director of the Managing Agents.

86. Cf. Director of Industries & Commerce, Directory of Small Scale Industrial Units in Madras State, 1965.

Cooperative Industrial Estate. It was found that the Balance Sheets and Profit & Loss Accounts of a number of companies located in the Industrial Estate were signed by only two directors, viz. Mr. B.N. Ramesh and Mr. S. Krishnamurthy. They were signatories to the accounts of (i) Shreeshyla Precision Staff & Stems Ltd., (ii) Shreeshyla Precision Components Ltd., (iii) Shreeshyla Screen Printers Ltd., (iv) Shreeshyla Toolings & Accessories Ltd., (v) Shreeshyla Escapements Ltd., (vi) Shreeshyla Gears & Pinions Ltd., (vii) Shreeshyla Metal Treaters Ltd. (viii) Shreeshyla Jig & Fixtures Ltd. and (ix) Shreeshyla Automats Ltd.⁸⁷

Ion Exchange India:

The case of Ankleshwar Ion Exchangers and Chemicals Ltd., cited earlier, provides yet another example of close association of 'parents' and ancillaries. The company was a wholly owned subsidiary of Ion Exchange (I) Ltd., and was incorporated in August 1978. Ion Exchange (I) Ltd. was earlier covered under the provisions of FERA and has since diluted its foreign equity level to a little less than 40 per cent. The subsidiary company claimed in its Annual Reports for the years 1979 and 1980 that licensing was not applicable to it since it was registered "as an ancillary Small Scale Unit vide certificate No. 04/04/00003/Prov/SSA dated 2.5.1979".⁸⁸ The company was finally amalgamated with its parent with effect from January 1, 1981.

Blow Plast and Toy Making:

Ancillarisation can also help a large scale company to enter into areas reserved for small scale sector, though indirectly. Toys manufacturing is one of the industries reserved for development in the small scale sector. It was reported that Blow Plast Ltd. sponsored a small scale unit in Maharashtra to assemble toys and was proposing to

87. Cf. Annual Reports of these companies for the year 1975. These Annual Reports used identical cyclostyled papers and relevant parts for different companies were typewritten. It was mentioned in the Directors' Reports of these companies that "inspite of the fact that our trained personnel were ready and M/s. Hegde and Golay Limited had geared up their assembly facilities to absorb our entire production, we could not stand by our commitment to supply them the components".

88. Ankleshwar Ion Exchanges & Chemicals Ltd., Annual Report, 1980, p.38.

sponsor a "string of small scale units" for this purpose. It was further reported that

Since toys manufacture is the exclusive preserve of the small scale sector, Blowplast will manufacture only the important components of toys and then get these assembled in the small sector with a cent per cent buy-back arrangement. Small Scale Units, financed and nurtured by the company will be entitled to labour and assembling charges only. (emphasis added)

IDRA and Ancillarisation:

Another factor which inhibits promotion of ancillarisation is built in the IDRA itself. Licences issued for production of items in the following Scheduled Industries also imply licences to produce component parts and accessories.⁹⁰

3. Boilers and Steam Generating Plants;
4. Prime Movers other than Electrical Generations;
5. Electrical Equipment;
6. Telecommunications;
7. Transportation;
8. Industrial Machinery;
10. Agricultural Machinery; and
13. Commercial Office and Household Equipment

Similarly, licensees can manufacture intermediate goods also in the following Scheduled Industries:

18. Fertilizers;
19. Chemicals (other than Fertilizers);
21. Dye Stuffs; and
22. Drugs and Pharmaceuticals.

Most of the other Scheduled Industries,⁹¹ by their very nature, have a limited scope for ancillarisation.

In view of the above, it appears desirable to study the ownership and control structure of ancillary units, and the nature of their

89. Cf. Business Standard, dated May 5, 1981.

90. See also Footnote 10 in Chapter IV. Because of this limitation captive consumption had to be allowed in these industries even when the item is reserved for production in the small scale sector.

91. These industries are: 1. Metallurgical industries; 9. Machine Tools; 12. Miscellaneous Mechanical and Engineering Industries (Plastic moulded goods, hand tools, small tools etc., Razor Blades, Pressure cookers, cutlery and steel furniture); 14. Medical and Surgical Appliances; 15. Industrial Instruments; 16. Scientific Instruments; 17. Mathematical, Surveying and Drawing Instruments; 20. Photographic Raw Film and Paper; 23. Textiles (including those dyed, printing or otherwise processed); 24. Paper and Pulp including Paper Products; 25. Sugar; 26. Fermentation Industries; 27. Food Processing Industries; 28. Vegetable Oils and Vanaspati; 29. Soaps, Cosmetics and Toilet Preparations; 30. Rubber Goods; 31. Glue and Gelatin; 32. Glass; 34. Ceramics; 35. Cement and Gypsum Products; 36. Timber Products; and 38. Miscellaneous Industries (Cigarettes, Linoleum, Zip fasteners, Oil stoves, Printing etc.).

business relationship with the respective large units in a more comprehensive manner. Such a study could help evaluate the real benefit, direct and indirect, flowing to large companies under the plea of 'protecting' small scale and ancillary industries. A study of ancillarisation is also necessary because at present there appears to be no systematic monitoring of the extent of ancillarisation that is taking place. For instance, there is no list of registered ancillaries readily available with the Office of the Development Commissioner. Another aspect that came to be known during the course of the study is that only units with investment in plant and machinery between Rs. 20-25 lakhs are being treated as ancillaries whereas, ancillaries should also include those that supply 50 per cent or more of their services or products to other manufacturing units for further processing even if investment in plant and machinery is less than Rs. 20 lakhs.

Implementation of the Small Scale Industry Programme:

The problem of large units setting up small scale units and availing of the accompanying benefits has been known for a long time. As early as in 1963, the then Development Commissioner for Small Scale Industries noted that

We have been receiving some complaints that the facilities under the small scale industries development programme, particularly those for supply of machinery on hire purchase basis are sometimes being availed of by large scale units or by units owned and managed by them. Large industrial units sometimes register separate companies under new names without revealing the correct facts regarding the financial and management control. Legally, our definition of small scale units is based on the investment in the unit, and not the financial capacity of the entrepreneurs behind the scheme, but we can not forget the fact that small industries development programme has been introduced by the Government for the benefit of a class of people who really deserve and require such assistance. We have, therefore, to keep a close watch on this tendency of large units setting up small scale units in new names while retaining absolute control in order to take advantage of the assistance programme. Even though strictly some of these cases might come under the definition of small scale industries, it will be advisable not to sponsor such applications for facilities like hire purchase loans at concessional rates of interest etc. as they will not be in keeping with some of the important social objectives behind the programme. (emphasis original)⁹²

One does not know the precise measures taken and instructions issued at that time to prevent such possibilities. However, in 1968, i.e. more than five years after the recognition of this problem, a certain set of

92. This is an extract from the letter No. D.O. 166(1)/63-Chem dated April 19, 1963, written by Dr. P.C. Alexander, the then Development Commissioner for Small Scale Industries, to all Directorates of Industries and Small Industries Service Institutes.

guidelines covering not only equity capital but also inter-locking of loans and guarantees issued by large units was issued to help the respective authorities in deciding whether a unit would be entitled for any special assistance under the small scale industries programme or not.

The 1968 directives provided that units which legally qualify to be in the small scale sector but were set up or controlled by large scale undertakings be allowed to register themselves with concerned State Director of Industries. However, such units should be informed, at the time of registration, that they will not be entitled to any special assistance as constituents of the small scale sector.⁹³ The built-in contradiction in this instruction is only too obvious. Registration with Director of Industries as a small scale unit is a pre-requisite for availing of assistance meant for small scale industries. With a none too clear set of criteria, it will be difficult for the administering authorities to reject such cases when approached for assistance. The cases of small scale units belonging to Large Industrial Houses, cited earlier, bear witness to such a possibility.

93. Cf. Circular No. SSI(A)-8(15)/67 dated December 5, 1968 of the Department of Industrial Development addressed to All State Governments/UTs, DCSSI, DGTD, Planning Commission and the NSIC. They were directed to apply the following criteria to distinguish units set up with the assistance of large scale units from the genuine small scale industries.

- (a) Where the unit is a subsidiary or associate of a Company which does not come within the definition of a small scale industry.
- (b) Where a sizable portion of the capital of the units is held by one or more firms which do not come within the definition of a small scale unit;
- (c) Where the financial statement of the unit reveals considerable interlocking of capital and loan funds between one or more concerns under the same management and where the loans finance only these transactions but not production of the units; or
- (d) Where an advance has been guaranteed to the unit by big industrial units or persons possessing large means.

In case any of the criteria is mentioned above is attracted, the unit concerned shall not be entitled to any special assistance under the small scale industries programme of Govt. The following types of assistance are termed as special assistance: (i) allotment of land/built up sheds in industrial estates; (ii) credit facilities at concessional rate of interest; (iii) machinery on hire-purchase basis; (iv) price preference in the purchase programme of the government; (v) supply of scarce raw materials (both indigenous and imported); and (vi) providing technical assistance and training facilities.

The above guidelines were not actively followed up. This is evident from a Circular of the Ministry of Industry dated February 26, 1975. It shows that the Small Scale Industries Board in its meeting held in November 1974 recommended that:

...as far as possible large industries should not be allowed to get the facilities and concessions intended for small entrepreneurs and that the Government should work out such measures as are practicable to ensure proper checks on the extension of facilities to large industrialists.⁹⁴

The circular recognized that "there is no legal ban against setting up of small units by large industrialists". The views expressed in the circulars of April 1963 and December 1968, referred to above, were reiterated and the Directors of Industries and other concerned authorities were directed to take necessary steps. The Press Note of May 1975, in connection with the upward revision of investment limits, however, does not mention any restrictions that have to be imposed on small scale units promoted by large units. It states that

All industrial units covered by the new definition, existing as well as those newly started, will be eligible to the facilities and concessions open to small scale industries such as credit on liberalised terms, allotment of factory sheds/plots in industrial estates/industrial areas, supply of machinery on hire-purchase terms through the NSIC and State Corporations, participation in Government Stores, Purchase Programme, training and industrial extension services.⁹⁵

Significantly enough, circulars dating back to 1963, 1968 and 1975 were referred to by the Government in 1983 as a matter of "clarification on policy with regard to the assistance and registration of small scale units set up by large industries", in response to a clarification sought by the NSIC.⁹⁶ It becomes evident that while the definition of a small scale unit was changed in 1980, to incorporate the ownership and

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94. Circular No. SSI(I)-15(57)/74 dated February 26, 1975 of the Department of Industrial Development.
95. Cf. Press Note dated May 19, 1975 (Subject:- Revision of Definition of Small Scale Industries and Small Scale Ancillary Industries).
96. Cf. Letter No. SSI(P)-11(2)/82 dated May 2, 1983 of the Department of Industrial Development written to the Chairman of National Small Industries Corporation Ltd. Incidentally, with the introduction of the single point registration scheme for government purchases, the NSIC changed the format of the application form for registration of units. The new form requires the applicants to furnish a number of details which were meant to disclose the possible linkages of the unit with large scale units. However, the cases cited from the directories of small scale units enlisted for government purchases published by the NSIC in 1980 and 1982 clearly indicate the need for a more careful and fool proof approach in this matter.

control aspects, no concrete steps were taken during the intervening period to implement the change. Indeed, there is nothing additional in this change when compared to the criteria issued in 1968.

This chapter has underlined a number of important aspects of the working of the small scale sector in India and the practices resorted to by many to defeat the regulatory provisions. Each aspect has been substantiated with specific details drawn from company reports and other publications. However, we can by no means claim to have covered all the aspects relating to ownership of small scale units. Also, the contention here is not that small scale sector in India is wholly foreign controlled. Nor is it being argued that the small scale sector is totally under the influence and control of the Indian monopoly Houses. The basic point is that there have been so many loopholes in the official policy and the manner in which the small scale sector has been sought to be promoted that the entry of TNCs and Big Business has introduced distortions of a significant nature. The very spirit of the initial logic in support of the small scale sector appears to have lost much of the relevance. There is, a need to have a comprehensive review of the present situation and redefine the objectives and spell out the purpose of the small scale sector far more precisely than has so far been done.

CHAPTER - IV

RESERVATION POLICY FOR SMALL SCALE SECTOR -- AN ASSESSMENT

During the mid-sixties the Government decided to evolve a mechanism to provide protection to the small scale sector through reservation of certain manufacturing activities for the sector. This was in addition to the fiscal support to the small scale units. Initially, 47 products were identified wherein no new industrial licence was to be issued. To operationalize the decision these items were placed on the 'banned list' and applications for industrial licences for these items were not to be entertained. Since then the reservation list and the concerning policies have undergone a number of revisions.

Broadly speaking, the revisions have resulted in (i) adding new items to the reserved list; (ii) de-reserving certain items completely; (iii) partial de-reservation i.e. removal of certain category/range of products from a broad industry group reserved earlier; and (iv) excluding by-products and captive consumers from the reservation restrictions.

Criteria for Selection of Items for Reservation:

Though the reservation policy has been practiced for about 15 years the criteria for inclusion or exclusion of the items under the reserved list has never been clearly enunciated. This seems to have introduced a large element of adhocism in the official policy. A scrutiny of the list of items shows that there were no common technological, production or market characteristics among the items reserved. For instance, one finds 'table fans' as reserved item but not ceiling and other varieties of fans including railway carriage fans, seventy five per cent of whose requirements of the Government have to be purchased from the small scale sector. The technologies involved for manufacture of different types of fans are not very different. If assembly and manufacture of a variety of electronic equipment can be reserved for the small scale sector why not the assembly of entertainment electronic equipment too? If the criterion was whether a product was already being manufactured in the small scale sector, then the list should have included a considerable number of consumer items (this indeed was the proposed plan strategy under the Mahalanobis Model). At one time it was argued that

the reserved list should have only such items where economies of scale were not very significant. The list would have a different complexion if this had been the basis. Similarly, since one rationale for promotion of the small scale sector was that the sector would have no dependence on imported or other scarce resources, the reservation list could have included a good number of such industrial products.

Expanding List of Reserved Items:

The first list of the reserved items for the small scale sector included 47 industrial items. By 1977 the list had grown to 807 items.¹ The enlarged list gives an impression that over the past ten years state protection to the small scale sector in India has got enhanced in a phenomenal manner. An inquiry into the listed items, however, does not permit such a conclusion. One of the main factors responsible for the increase in number is that many of the items earlier covered under a single product group have been given a separate serial number in the revised lists. For instance, in the earlier lists 'domestic electrical appliances and accessories' was a single item representing as many as 22 items of the new list.² Similarly, 'wire products - all wire products such as wire nail, hob nails, panel pins, horse shoe nails' which was one item under the old list is now covered by multiple entries, each individual item like wire nails, hob nails, panel pins and animal shoe nails, having a separate item and having a separate serial number. One single entry 'Paper conversion products' now represents 29 items. Wire brushes and fibre brushes, domestic utensils (other than stainless steel), agricultural implements and drawing, mathematical and surveying instruments provide other examples of this kind. Similarly, the small scale reserved list includes forty items, covering various bicycle parts and components, the fortieth item being "Other cycle parts and accessories except free wheel". (Two more items, namely, bicycle tyres and tubes appear under 'Rubber Products'). It is obvious that all the items could have been accommodated under a single head without any loss of clarity and understanding. 'Steel tables - all other types', 'Steel furniture - all other types' and 'other cutlery items' are a few

1. Guidelines for Industries (1979) Part I, Sec. I-1.

2. Ibid., (1976-77), p. 51.

more instances of this kind. One also finds that both 'Umbrellas' and 'Umbrella ribs and fittings' exist as different items. Similarly, 'Ball Point Pens', 'Fountain Pens', 'Pen Nibs' and 'Fountain pens and ball pens components excluding metallic tips' are different items in the reserved list. The increased number of items in the reservation list, therefore, is not necessarily an indication of a larger area of industrial activity having been reserved for the small scale sector. The list has become larger basically due to 'spelling out' the details. This may be desirable from the view point of identification of specific products to reduce vagueness in the reservation policy. At the same time there does happen to be a plenty of evidence to show that the overall area for the small scale sector has got reduced in a number of industries.

De-reservation of Already Reserved Items:

Quite contrary to the general impression of the ever expanding areas of protection for the small scale sector one finds that a number of products have indeed been dropped out of the initial areas of reservations.³ Table-4 provides a list of products which have been completely de-reserved implying that they can be manufactured in the medium and large scale sectors. Dunlop (I), Fenner (I) and Nirlon Synthetics are the large scale manufacturers of fan belts, one of the de-reserved items. Pressure cookers industry was included in the list of Scheduled Industries⁴ after it was de-reserved, making new entrants to the industry subject to industrial licensing. Tyre retreading is

3. In this context of de-reservation, it may be relevant to note the observations of the Estimates Committee. The Committee suggested that "State Governments should not be barred from setting up production capacity in 'reserved' items if no small scale entrepreneur comes forward to set up industrial units in those lines". The government in reply stated that "the suggestion of the Estimates Committee, if accepted, would mean allowing State Governments to set up units in reserved areas which would amount to a reversal of the reservation policy as the small scale units would not be in a position to compete with them. The 'reservation' policy aims at encouraging small scale units alone and in case it is found that no small entrepreneur has come forward to set up industrial units in any of the reserved lines, then the better course would be to de-reserve the item for the sake of healthy competition rather than encourage State Government Units alone to come up in these areas". Cf. INDIA, Estimates Committee, Thirtieth Report: Action Taken by Government on the recommendations contained in the Fourteenth Report of Estimates Committee (Seventh Lok Sabha) on the Ministry of Industry (Department of Industrial Development) - Small Scale Industries -- Raw Materials and Marketing, 1982.

4. Guidelines for Industries (1982), op. cit., p. Sec. III-120.

Table - 4

Showing a List of Items De-reserved From Exclusive
Development in the Small Scale Sector

S.No.	Name of the Product	Date of Notification
1		2
1.	Pressure Cookers	30.12.1978
2.	Sodium bichromate	19. 2.1981
3.	Dehydrated vegetables	23.12.1981
4.	Tyre retreading	-do-
5.	Rubber to metal bonded parts	-do-
6.	Tartaric acid from maleic anhydride	-do-
7.	Fumaric acid	-do-
8.	Sodium chromate	-do-
9.	Potassium bichromate	-do-
10.	Ammonium bichromate	-do-
11.	Simple cone pulley driven lathe upto 2,00 mm bed length	-do-
12.	Satchet filling machies for pouches	-do-
13.	Fan belts	-do-
14.	Hypodermic needles	-do-
15.	Pressure gauge upto 3.52 kg. per sq.cm.	-do-
16.	Geranium oil	14.10.1982
17.	Air Trimmers for professional use	-do-
18.	Transistor headers	-do-

another item taken off the reserved list. Dehydrated vegetables were de-reserved with effect from December 23, 1981 while the processing of vegetables and fruit has been one of the industries selected for intensive growth in the small scale sector during the period 1980-85.⁵ Sun-Sip Ltd. (subsidiary of WIMCO Ltd) was given a Letter of Intent for expansion of its capacity of processed canned and bottled fruits and vegetables from 6,000 tonnes to 15,000 tonnes in December 1982.

Partial De-Reservation:

Table-5 contains a list of cases wherein revisions have resulted in narrowing down the area reserved for the small scale sector. In these cases de-reservation took place with respect to a certain range of reserved products. For instance, basic dyes, azo dyes (acid and direct), reactive dyes (cyanuric chloride group) and fast colour bases had been in the reserved list for a long time. The policy was revised in August 1981. Now the reservation is limited only to some colours and that too with particular Colour Index Numbers. Incidentally, Amar Dye Chem. (Doshi), Atul Products (Lalbai), Colour Chem. (Khatau), Atic Industries (ICI), Indian Dyestuff Industries (Mafatlal), Sandoz (FERA) and Mafatlal Industries (Mafatlal) are the important large scale producers of dyes and dye stuffs. The de-reservation would naturally be of interest and benefit to these large units since their expansion plans can no more be turned down by the Government on the plea of the product being reserved for the small scale sector.

The case of Sandoz (I) may illustrate the point sharply. A list of acid azo dyes manufactured by the company is given in Table-6. The items shown in col. 2 only appear in the list of reserved items as per the Notification issued in July 1981. The rest can now be assumed to have been de-reserved. The exclusion assumes a special significance in light of the following observation of the Development Commissioner for Small Scale Industries.

Manufacture of dye-stuffs started in the small scale sector earlier than in the large scale sector and now practically all types of dye-stuffs like azo dyes, basic dyes, reactive dyes, chrome dyes, etc. are being manufactured by small scale industries. Their quality is quite comparable to international standards. Their production constitutes about 35 per cent of the total production of

5. The details of industries selected for intensive growth are given later in this Chapter.

Table - 5

Illustrative List of Changes in Nomenclature of Reserved Products
Which Resulted in Greater Freedom for the Large and Medium Scale Manufacturers

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3
1.	Compression moulded plastic products	Compression moulded plastic products excluding decorative and industrial laminates	
2.	Chlorinated Paraffin Wax	Chlorinated Paraffin Wax (upto 60% Chlorine content)	Chlorinated Paraffin Wax above 60% chlorine content
3.	Glass Tubes	Glass tubings (excepting machine drawn)	Machine drawn glass tubings
4.	Scientific laboratory glass-ware	Scientific laboratory glass-ware (excluding boro-silicate types)	Boro-silicate types of scientific laboratory glass-ware
5.	Stranded wire	Stranded wires (excluding high tensile prestressed concrete wires)	High tensile prestressed concrete wires
6.	Cocks and valves-water pipe fittings	Cocks and valves used as domestic water pipe fittings	Cocks and valves other than for domestic water pipe fittings
7.	Electrical transmission line hardware other than those manufactured in malleable castings	Electrical transmission line hardware and conductor accessories (other than those manufactured in malleable castings and preformed types)	Electrical transmission line hardware of preformed types
8.	Other drawing mathematical and survey instruments	Other drawing, mathematical and survey instruments excluding theodolites	Theodolites
9.	Projector including overhead projector	Projectors including slide and overhead projectors but excluding profile projectors	Profile projectors
10.	Rubber hose pipes - excepting wire-braided high pressure hydraulic hoses	Rubber hose pipes excluding braided hoses	All braided hoses even if they are not of high pressure varieties
11.	Fountain pens and ball pens components	Fountain pens and ball pens components excluding metallic tips.	Metallic tips of ball point pens.

* As per the Schedule I to the Notification No.S.O.98(E)/INDIA/298/73/1 dated February 16, 1973. (List of Reserved Items for Small Scale Sector) published in Guidelines for Industries (1979), Part I, pp. Sec. IV-3 to Sec. IV-14.

** As per the above publication dated Jan. 1982, pp. Sec. III-82; Sec. III-135 to Sec. III-141 and Sec. IV-88 to Sec. IV-90. Contd...

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3
12.	Fumaric acid	Fumaric acid (excluding fumaric acid recovered from the off gases of phthalic anhydride plant)(1)	Fumaric acid recovered from gases of phthalic anhydride plant
13.	Wire gauge and wire netting metallic thicker than 100 mesh size	Wire gauge and wire netting (mettalllic coarser than 100 mesh size and upto 2 metre width	Wire gauge and wire netting beyond 2 metre width
14.	Torch bulbs	Torch bulbs other than prefocussed type	Pre-focussed type torch bulbs
15.	Automobile radiators except for expansion on merits	Automobile radiators excluding aluminium radiators(2)	Aluminium radiators
16.	Fireclay, bricks and blocks	Fireclay, bricks and blocks containing less than 40% alumina	Fireclay bricks and blocks containing more than 40% alumina
17.	Confectionery	Confectionery (except chocolate and chocolate preparations)(3)	Chocolate and chocolate preparations
18.	Paper board carton	Paper board cartons (unlaminated)	Laminated paper board cartons
19.	Paper tubes	Paper tubes (except heavy duty resin impregnated conical spinning tubes for textile industry)	Heavy duty resin impregnated conical spinning paper tubes for textile industry
20.	Camel-back-tyre retreading materials	Camel-back-tyre retreading materials (except cold curing tyre materials precured)	Precured tyre materials
21.	Oil seals-rubber	Oil seals rubber (other than hydrodynamic seals for precure applications)	Hydrodynamic rubber oil seals for precure applications
22.	Rubber thread	Rubber thread except bare rubber thread and over 80 gauges and head resisting rubber threads (4)	Bare rubber thread and over 80 gauges and heat resisting rubber thread
(1)	Finally fumaric acid was de-reserved vide Notification S.O.No.908(E) dated 23.12.81.		
(2)	It was further changed to 'Automobile Radiators (except for expansion of existing units on merits and induction of new units based on new/improved technology and excluding aluminium radiators, vide notification S.O.No.908(E) dated 23.12.81.		
(3)	It was further changed to confectionery (except chocolate) vide Notification S.O.No.908(E) dated 23.12.81.		
(4)	It was further changed to Rubber thread except bare rubber thread of over 80 gauges and heat resisting rubber thread. Cf. Press Note dated 30.10.1982 of the Ministry of Industry (Department of Industrial Development)		

Contd...

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3
23.	Latex foam and latex foam products	Latex foams and latex foam products (except synthetic rubber coats and aprons and lubricating pads)	Synthetic rubber coats and aprons and lubricating pads
24.	Hessian, paper and clothe to polyethylene laminations straight and sandwiched	Paper and polyethylene laminates straight and sandwiched by extrusion coating process except for integrated packaging	Straight and sandwiched hessian and clothe to polyethylene laminations for integrated packaging
25.	H.D. Polyethylene monofilament	H.D. Polypropylene monofilament except for captive use by rope manufacturers.(5)	H.D. Polyethylene monofilament for captive use by rope manufacturers
26.	Polypropylene monofilament	Polypropylene monofilament except for captive use by rope manufacturers	Polypropylene monofilament for captive use by rope manufacturers
27.	Polyethylene films except co-extruded with thickness less than 0.10 MM	Polyethylene films with thickness less than 0.10 MM except co-extruded films, cross linked polymer films and high density high molecular films	cross linked polymer and high density high molecular polyethylene films with thickness less than 0.10 MM
28.	Industrial items from engineering plastics	Industrial items from engineering plastic material by fabrication process only	Industrial items from engineering plastic material by processes other than fabrication process
29.	Polyethylene and PVC hoses	Polyethylene and PVC flexible hoses except wire braided hoses	Wirebraided polyethylene and PVC hoses
30.	Basic dyes	Basic dyes: Basic Yellow 2(41000) Basic Green 4(42000) Basic Green 1(42040) Basic Violet 14(42150) Basic Violet 1(42535) Basic Blue 7(42595) Basic Violet 10(45170) Basic Blue 9(Methylene Blue) (52015)	Basic dyes except those in Col.(2)

(5) It appears that there was a mistake in this case because the nomenclature was further changed to H.D. Polypropylene Mono Filament (except for captive use by rope manufacturers) vide press Note dated 2.2.1962 of the Ministry of Industry (Department of Industrial Development).

Contd...

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1	2	3	
31.	Azo dyes - direct and acid		All dyes except those in Col.(2)
		Azo Dyes direct:	
		Direct Yellow 8(13920)	
		Direct Yellow 17(18855)	
		Direct Yellow 9(19546)	
		Direct Yellow 29(19556)	
		Direct Red 28(Congo Red)	
		Direct Red 13(22155)	
		Direct Dye [Brilliant Congo G(A)](22160)	
		Direct Red 1(22310)	
		Direct Brown 2(22311)	
		Direct Brown 59(22345)	
		Direct Orange 1(22375)	
		Direct yellow 20(22410)	
		Direct Orange 1(22430)	
		Direct Violet 45(22510)	
		Direct Violet 1(22570)	
		Direct Black 29(22580)	
		Direct Blue 2(22590)	
		Direct Blue 6(22610)	
		Direct Red 61(23040)	
		Direct Red 2(23500)	
		Direct Red 7(24100)	
		Direct Blue 8(24140)	
		Direct Blue 15(24000)	
		Direct Blue 1(Bordeaux B) (24410)	
		Direct yellow 4(24890)	
		Direct Yellow 12(Chrysophenine)	
		Direct Violet 7(27855)	
		Direct Violet 31(27880)	
		Direct Violet 9(27885)	
		Direct Violet 51(27905)	
		Direct Red 81(28160)	
		Direct yellow 44(29000)	
		Direct Red 31(29100)	
		Direct Orange 26(29150)	
		Direct Red 23(19160)	
		Direct Red 83(29225)	
		Direct Brown 1(30110)	
		Direct Brown 95(30145)	
		Direct Black 38(30235)	
		Direct Green 1(30280)	
		Direct Green 6(30295)	

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3
		Direct Green 8(30315) Direct Brown 75(20325) Direct Blue 71(34140) Direct Black 56(34170) Acid Dyes: Acid Yellow 36(13065) Acid Orange 7(15510) Acid Red 88(15620) Acid Red 18(Food Red 7) (16255) Acid Red 1(Food Red 10)(18050) Acid Violet 7(Food Red 11)(18055) Acid yellow 11(18820) Acid Yellow 76(18850) Acid Yellow 17(Food Yellow 5) (18965) Acid Brown 55(20100) Acid Orange 24(20170) Acid Brown 14(20195) Acid Black 1(20470) Acid Red 85(22245) Acid Yellow 42(22910) Acid Red 128(24125) Acid Blue 113(26360) Acid Red 142(27000) Acid Red 73(27290) Acid Red 17(16180) Acid Yellow 73(45350)	
32.	Phthalocyanine blue and green	Phthalocyanine blue*	Phthalocyanine green
33.	Reactive dyes - cyanuric chloride group	Reactive dyes: Brilliant Red M-5B (Reactive Red 2) Brilliant Red H-7B (Reactive Red 4) Rubine M-5B (Reactive Red 6) Scarlet H-CR (Reactive Red 8) Brilliant Red H-8B (Reactive Red 31) Rubine H-BN (Reactive Red 32) Pink RB (Reactive Red 37) Brilliant Red EB (Reactive Red 73) Brilliant Pink B (reactive Red 74) Brilliant Purple H-RR (Reactive Violet 1) Brilliant Magenta B (Reactive Violet 13) Brilliant Violet PR (Reactive Violet 14)	Reactive dyes except those in Col.(2)

Contd...

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3

Brilliant Violet 5EX (Reactive violet 21)
 Magenta B
 Yellow MY-R
 Yellow 4-AS
 Yellow MY-R
 Yellow M-QR
 Yellow H-4G
 Brilliant Yellow M-4G
 Brilliant Yellow 6-G
 Yellow R
 Black H-N
 Brilliant Blue H-7G
 Brilliant Blue M-R
 Brilliant Blue H-GR
 Navy Blue M-3R
 Brilliant Blue H-5G
 Navy Blue H-3R
 Navy Blue RX
 Blue BRR
 Navy Blue RX
 Orange MX-G
 Brilliant Orange M-2R (Reactive Orange 4)
 Golden Yellow HR
 Brilliant Orange H-2R (Reactive Orange 12)
 Orange
 Orange GEX
 Brilliant Orange RX
 Brilliant Orange 3RX
 Brown 4-RH
 Brown M-4R
 Yellow HAS
 Navy Blue 3RH
 (Reactive yellow 1)
 (Reactive Yellow 3)
 (Reactive Yellow 4)
 (Reactive Yellow 7)
 (Reactive Yellow 18)
 (Reactive Yellow 22)
 (Reactive Yellow 43)
 (Reactive Yellow 44)
 (Reactive Black 8)
 (Reactive Blue 3)
 (Reactive Blue 4)
 (Reactive Blue 5)
 (Reactive Blue 9)
 (Reactive Blue 25)
 (Reactive Blue 28)
 (Reactive Blue 39)
 (Reactive Blue 56)
 (Reactive Blue 59)
 (Reactive Orange 1)
 (Reactive Orange 4)
 (Reactive Orange 12)
 (Reactive Orange 13)
 (Reactive Orange 14)
 (Reactive Orange 36)
 (Reactive Orange 37)
 (Reactive Orange 38)
 (Reactive Brown 9)
 (Reactive Brown 10)
 (Reactive Yellow 46)
 (Reactive Blue 26)

For colour bases except those in Col.2

34. Fast colour bases
 Fast colour bases
 Fast yellow GC Base (37000)
 Fast orange GC Base (37005)
 Fast Scarlet GG/GCS Base (37010)
 Azoic Diazo Comp. 7 (37030)
 Fast Red 3 GL Base (37040)
 Fast Red TR Base (37085)
 Fast Red KB Base (37090)
 Fast Scarlet G Base (37105)

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3
		Fast GL Base (37110) Fast Red R/RC Base (37120) Fast Red B Base (37125) Fast Scarlet R/RC Base (37130) Azoic Fast Violet B Base (37165) Fast Blue BB Base (36175) Fast Garnet CBC Base (37219) Fast Blue Base (37235)	
35.	Indigo	15(b) Indigo	Other varieties of indigo
36.	Para-dichlorobenzene-balls, cubes etc.	Balls and cubes made of para dichloro-benzene	Forms other than balls and cubes of para-dichlorobenzene
37.	Alkyd resins	Alkyd resins except for captive consumption	Alkyd resins for captive consumption
38.	Calcium chloride-industrial grade	Calcium chloride (industrial grade) except as by-product	Calcium chloride (by-product)
39.	Nickel sulphate	Nickel sulphate other than manufactured by a primary metal producer as a by-product	Nickel sulphate (by-product) by primary metal producers
40.	Copper sulphate	Copper sulphate other than manufactured by a primary metal producer as a by-product	Copper sulphate (by-product) by primary metal producers
41.	Zinc sulphate	Zinc sulphate other than manufactured by a primary metal producer as a by-product	Zinc sulphate (by-product) by primary metal producers
42.	Guar gum	Husked and dehusked guar gum splits and meals	Preparation of guar gum
43.	Alums including aluminium sulphate-industrial grade	Alums/aluminium sulphate excluding manufacture in integrated sulphuric acid plant	Alums/aluminium sulphate manufactured in integrated sulphuric acid plants
44.	Glass beads	Glass beads except industrial beads	Industrial glass beads

S.No. Old Nomenclature*	New Nomenclature**	Items de-reserved
1	2	3
45. Glass pressed wares	Glass pressed wares: Sedalane silica pressed glass tumbler Sedalane plates Sedalane bowls Sedalane ashtrays Sedalane vases	Glass pressed wares except those in Col.(2)
46. Machinery shop vices	Bench vices all types	Machinery shop vices other than bench vices
47. Centrifugal pumps upto 10 cm.x10 cm.	Centrifugal water pumps upto 10 cm. x10 cm.	Centrifugal pumps upto 10 cm. x10 cm. other than water pumps.
48. Miniature vacuum bulbs	Miniature vacuum bulbs excluding auto lamps	Miniature vacuum lamps
49. King Pins/shackle pins - automobile use	Shackle pins-automobile use	King pins-automobile use
50. Cycle frames	Cycle frames except for captive consumption	Cycle frames for captive consumption
51. Chains-cycle	Chains - cycle except for captive consumption	Cycle chains for captive consumption
52. Rims - cycle	Rims - cycle except for captive consumption	Cycle rims for captive consumption
53. Fibreglass reinforced plastic products	Fibreglass reinforced plastic products other than the following: a) SMC & DMC and its mouldings b) Continuous filament winding (pipes above 600 mm diameter) c) pultruded products d) FRP sheets by continuous process	a) SMC & DMC and its mouldings b) Continuous filament windings (pipes above 600 mm diameter) c) Pultruded products d) FRP sheets by continuous process
54. Other fabricated plastic products	a) Advertising novelties b) Desk calendar c) Pen stand d) Plastic toys e) Decoration and industrial fixtures f) Street lights g) Corridor lights	Scope of reservation has now been narrowed to the items mentioned in Col.(2).

Contd....

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
1		2	3
55.	Other thermo welded plastic products	h) Passage lights i) Building models (proto type) j) Machine models (prototype) a) Shopping bags b) Diaries c) File Covers d) Badges/folders e) Advertising materials f) Wallets g) Passport covers h) Tool kit covers i) Medical disposables j) Industrial packings for calculators k) microphones etc. l) Inside assembly of brief cases m) Key chains n) Identity cards and visitings cards o) Albums p) Textile welding for garments	Scope of reservation has now been narrowed to the items mentioned in Col.(2)
56.	Chemical Porcelain	Flat tipped bases Round and rectangular type dishes combustion bots crucibles filter funnels for vacuum pressure gravity filtrations Pipetti rests spotting plats Dessicator plats	Scope of the reservation has now been narrowed to the items mentioned in Cl. (2)
57.	Plaster of paris	Plaster of paris (below 50 kg./sq. cm. in strength) (6)	Plaster of paris above 50 kg./cm. in strength
58.	Pressure die casting upto 4 kg.	Pressure die castings upto 0.75 kg.	Pressure die castings between 0.75 kg. and 4 kg.
59.	Wick Stoves	Wick Stoves other than those manufactured in accordance with design Nos. 145215, 145216, 145299 (Nutan type stoves) registered in the name of the Indian Oil Corpn.	Nutan type stoves registered in the name of Indian Oil Co.pn.

(6) It was further changed to plaster of paris excepting for use as construction material. Cf. Press Note dated 30.10.1982 of the Ministry of Industry (Dept. of Industrial Development).

Contd....

S.No.	Old Nomenclature*	New Nomenclature**	Items de-reserved
	1	2	3
60.	Other locks	Drawer locks and suit case locks	Scope of reservation has been narrowed to drawer and suitcase locks.
61.	Other auto rubber components	Brake pedals Clutch pedals Dust covers Wiper blade components Windscreen beedings Door Chanels Rubber mats	Scope of reservation has been narrowed to items mentioned in Col. (2)
62.	Liquid level controller	Liquid level controller (excepting electronic type)	Electronic type liquid level controllers
63.	Plaster boards	Plaster boards excepting for using automatic process	Plaster boards through automatic process
64.	Steel vaults, safes and cash boxes	Steel vaults, safes and cash boxes, excluding the following items (7) (A) Fire resistant record protection equipment (B) Fire and burglar resistant safe (C) Jeweller; safe (D) Safe deposit lockers, and (E) Safes with safe deposit lockers	Items (A) to (E) given in Col.(2)
65.	Auto leaf spring	Auto leaf springs excluding tapered leaf springs	Tapered leaf springs

(7) Subject to export text. The Notification contains a number of other details.

Note: S.No. 1-9 were effected through the Notification No. S.O. 312(E) dated 12.5.1980.

S.No. 10-16 were effected through the Notification No. S.O. 115(E) dated 19.2.1981.

S.No. 17-52 were effected through the Notification No. S.O. 621(E) dated 3.8.1981.

S.No. 53-61 were effected through the Notification No. S.O. No.908(E) dated 33.12.1981.

S.No. 62-65 were effected through the Notification dated October 14, 1982. Cf. Business Standard dated November 10, 1982.

Table - 6

Showing the Effect of Changes in Nomenclature of Acid Azo Dyes
(Reserved for the Small Scale Sector) on Sandoz (I) Ltd.

S.No. Acid Azo Dyes Produced by Sandoz (I) Ltd.	
Items now de-reserved Items continue to be Reserved	
1	2
1. Metanil Yellow	1. Acid Orange MNo. 13065
2. Sulphonic Acid blue R	2. Acid Orange II, 15510
3. Acid Blue 92, 13390	3. Acid Red I, 18050
4. Orange II	4. Acid Geranine 6B, 18055
5. Vitrolan Black WA	5. Acid Yellow 2G, 18965
6. Neolan Black WA, 15711	6. Acid Tartrazine 19140
7. Azo Rhodine 6B	7. Acid Resorcin Brown RD 20195
8. Acid Red 37, 17045	8. Acid Black 10 BX/R 20470
9. Azo Rhodine 2G	9. Acid Yellow R 22910
10. Azo Rubinole 3GS	10. Acid Cyanine Blue 5R 26360
11. Xylene Light Yellow 2G	
12. Tartraphenine	
13. Xylene Fast Red P	
14. Acid Red 118 (N.I.)	
15. Acid Brown 127	
16. Resorcin Brown R	
17. Derma Brown G	
18. Acid Black H	
19. Acid Black 77	
20. Xylene Milling Yellow 6G	
21. Acid Yellow 44, 23900	
22. Acid Milling Red R	
23. Acid Red 89, 23910	
24. Lanasyne Yellow, GLN	
25. Acid Yellow 112 (N.I.)	
26. Lanasyne Dark Violet RL	
27. Acid violet 65 (N.I.)	

Contd...

S.No. Acid Azo Dyes Produced by Sandoz (I) Ltd.

Items now de-reserved

Items continue to be Reserved

1

2

- | | |
|--|----------|
| <p>28. Sulphonine Blue 5R</p> <p>29. Nylosan Black 2BL</p> <p>30. Acid Wool Fast Black 3B, 26370</p>
<p>31. Lanasyn Orange RLN</p> <p>32. Acid Orange 82 (N.I.)</p> <p>33. Alizarine Light Blue B Acid
Blue 45, 63010</p>
<p>34. Xylene Fast Yellow P.</p> <p>35. Derma Carbon GTX, (N.I.)</p> <p>36. Acid Yellow 61, (N.I.)</p>
<p>37. Lanasyn Grey 2 BL</p> <p>38. Acid Black 115</p> <p>39. Derma Brown G Acid Brown 127 (N.I.)</p>
<p>40. Lanasyn Orange RLN</p> <p>41. Lanasyn Brill Red 2 BL</p> <p>42. Acid Red 261</p>
<p>43. Viscolan Black B</p> <p>44. Acid Black 29</p> <p>45. Nylosan Yellow E-G LN
(c.I. Acid Yellow)</p> | <p>2</p> |
|--|----------|
-

Source: The information that Sandoz (I) was producing these dyes was obtained from Thapar's Indian Industrial Directory, 1973.

- Note:
1. The change in Nomenclature was effected through the Notification No.S.O. 621 (E) dated 3.7.1981 of the Ministry of Industry (Department of Industrial Development).
 2. The identification of dyes continue to be reserved is made with the help of Colour Index Number (C.I. No.) given along with the name of the dye. However, we find that in some cases there was difference in nomenclature reported in the Notification and the Thapar's Directory. For instance, C.I. No.13065 is shown against Acid Yellow 36 while the Thapar's Directory gives Acid Orange MNO against the same C.I. No. N.I. = Not indexed.
 3. N.I. = Not indexed.

dyestuffs in the country. It is a notable point that small scale units have developed their own know-how using indigenous equipment and machinery whereas large scale units producing similar items have gone in for collaboration with foreign manufacturers.⁶

During 1981 the reservation list was revised thrice. It is natural that one should ask about the rationale behind such quick changes. While it is a matter of general inquiry into the manner and style of governmental functioning, an intriguing aspect of these revisions is that some of the products affected by the quick changes also happen to have certain market characteristics. For instance, 'confectionery' as a general category was on the reserved list for the small scale sector since 1977. In August 1981 a reduction in the coverage of 'confectionery' was made by exclusion of chocolates and chocolate preparations. A few months later another change was effected to exclude all varieties of chocolates from the reserved item, confectionery.⁷ Can one explain the changes in terms of the fact that 'chocolates' production is a near monopoly of a couple of large scale and influential producers in India? Similarly, 'fumaric acid' was initially a reserved item. In February 1981, an exemption was made to permit recovering of fumaric acid from the off-gases of phthalic anhydride plant in the large sector. It was finally taken off the reserved list in December 1981.

Automobile radiators were a reserved item for the small scale sector. But 'expansion of capacity on merit' was announced through a Notification dated February 19, 1981 which simultaneously de-reserved aluminium radiators. Another change was made to allow induction of new units based on new/improved technology for the manufacture of radiators vide another Notification of December 23, 1981. Interestingly enough, just a day before this (December 22, 1981) a Letter of Intent was issued to Hindustan Ferodo Ltd. (a FERA company also registered under the MRTA Act) for manufacture of 1,00,000 numbers of aluminium radiators.⁸

6. See INDIA, Development Commissioner (Small Scale Industries), Small Scale Industries: 25 years of Progress, 1973, p. 79.

7. Cf. Notification of December 1981.

8. Indian Investment Centre, "List of Industrial Licences/Letters of Intent Issued under the Industries (Development & Regulation) Act, 1951 during December, 1981", Supplement of Monthly News Letter, January 1982, p. xiv.

'Fibreglass reinforced plastic products' have been on the reserved list for some time now. However, since December 23, 1981, because of the changes in nomenclature in respect of 'fibreglass reinforced plastic products' the following four items have got de-reserved. These are: (i) SMC & DMC and its mouldings, (ii) continuous filament winding (paper above 600 mm. diameter), (iii) pultruded products and (iv) FRP sheets by continuous process. Incidentally, fibreglass reinforced plastic products industry is one of the industries selected for development in the small scale sector during the year 1980-85.⁹ Some likely beneficiaries of the changes in nomenclature resulting in partial de-reservation are: (i) Indian Gum Industries (FERA) and Hindustan Gum & Chemicals (FERA/Birla) in the case of guar gum; (ii) Goodlass Nerolac (Tata/Formerly FERA) in the case of phthalocyanine pigments; (iii) Chemo-Pharma Labs. (TTK) in the case of indigo; and (iv) Borosil Glass Works (Thapar/Formerly FERA) in the case of scientific and laboratory glassware.

Such examples can be multiplied. To ask if the changes made were under some pressure and lobbying or the reasons for the changes lie in the absence of adequate expertise and understanding of the products and processes by the technical agencies, on whose advice the policy makers act, appears to be only too appropriate.

Products Meant for Captive Consumption and By-products:

There could be an economic justification in the relaxation of reservation in the case of by-products. But the same cannot be said in the case of products meant for captive consumption. The Estimates Committee noted that large vanaspati oil manufacturers had been allowed to manufacture tin containers - a 'reserved' item - for their own use which earlier the large units used to purchase from the small scale

9. In this connection, it may be noted, from a news story appearing in the Business Standard dated September 23, 1981 that the decision of reversing the policy of encouraging small scale units in downstream fibreglass products was taken "at the behest of two giant fibreglass manufacturers representing the industry in the DGTD glass panel". Further, it was felt that "the delisting of the items will particularly help a Mahindra unit, Roplas Limited, which has been lobbying with the government for a licence to manufacture fibreglass components for the automobile industry. Its application for licence has been hanging fire for over a year... Except pultruded products, other delisted categories can be easily manufactured by the small scale sector. A number of small-scale processing units on these lines are already existing in Calcutta, Madras and Cannanore".

sector.¹⁰ The Government's view has been that since the "manufacture of components, parts etc. is permitted only for purpose of internal consumption of the licensed items, and no commercial sale of these parts, components etc. is permissible, their production by the licensed units does not come into competition with the products of small scale units."¹¹ It is obvious that with acceptance of this plea small scale manufacturers will have hardly any market in case of those items for which the large units can have their own manufacturing capacities under the plea of captive consumption. The implications of allowing production in the large scale sector for captive consumption of cycle chains, cycle rims, cycle frames, H.D. polyethylene monofilament and polypropylene monofilament in August 1981 are bound to not only reduce the scope for development of the small scale sector in these industries but also force some of the small manufacturers to close down their production. This trend runs contrary to the stated official policy of promoting ancillary small scale units.

Preferred Industries:

During 1980-81, the Small Industry Development Organisation (SIDO) identified 114 products as "important from the point of view of growth of the small scale sector." These items were considered significant from the viewpoint of internal demand and export potential.¹² A good

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10. The Committee further stated that they did not agree with this policy as it amounts to denial of benefit of reservation policy to small scale sector. They asked the Government to re-examine the matter with a view to withdrawing captive capacity in large units for manufacture of reserved items. This was one of the recommendations the Government's reply to which was not acceptable to the Committee. The government informed that, according to the existing provisions of the IDR Act, industrial undertakings licensed under certain specified headings of the first schedule which mainly relate to engineering and chemical fields, were allowed to manufacture components, parts and accessories and intermediates for captive use. Cf. INDIA, Estimates Committee (1980-81), Fourteenth Report: Small Scale Industries - Raw Materials and Marketing, presented to Lok Sabha on April 16, 1981, pp. 124.
 11. Cf. Estimates Committee (1981-82), Thirtieth Report, Ibid., p. 92.
 12. INDIA, Development Commissioner (Small Scale Industries), Report--1980-81: Small Industries Development Organisation, pp. 79-80.

number of these items could never get on the reserved list of industries for the small scale sector. (See Table-7). Only a few such items comprising plastic woven sacks, drugs like niacinamide, and calcium gluconate have since been adopted for reservation. Synthetic detergents, an important item in terms of the fast growing market, did not receive the reserved item status. Interestingly enough, while serious thought was being given to develop the item in the small scale sector a number of Letters of Intent were issued in March 1981, the most notable among them being the one granted to the Colgate Palmolive (I) Ltd.¹³ Hindustan Lever Ltd. was allowed to double the licensed capacity of its Jammu unit from 10,000 tonnes to 20,000 tonnes. The bicycle industry, 'preferred' for development in the small scale sector during 1980-85, provides another example. While a number of parts that go into bicycle manufacturing including frames, handles, chains, axles, pedal assembly, rims, tyres, tubes etc. have been reserved, the bicycle industry as such is not reserved for the small scale sector. In addition, as we have observed above, cycle rims, frames and chains were de-reserved to the extent of captive consumption by bicycle manufacturers.

Reserved Items and Existing Large Scale Producers:

It has been repeatedly asserted by the Government that various liberalizations to licensing policy like automatic growth, allowing excess production over licensed capacity, regularisation of excess capacities etc. are not available for items reserved for the small scale sector. The fact, however, remains that in a number of cases large scale companies were already in production prior to these items' inclusion in the reserved list. Some of the undertakings were operating on the basis of their claim to hold Registration Certificates which did not contain any capacity restrictions.¹⁴ In 1979 the

13. A number of Letters of Intent issued for the manufacture of synthetic detergents were cancelled in April 1983, including that of Colgate Palmolive India Ltd. This cancellation appears to be due to the delay in implementation. The company was told to apply afresh. (Cf. Business Standard, June 2, 1983). It can thus be concluded that the proposed development in the small scale sector was not the reason for the cancellation.

14. Cf. Corporate Studies Group, op. cit.

Table - 7

List of Preferred Items Selected for Intensive Growth in the
Small Scale Sector during 1980-85 but are not Reserved for the Sector

S.No.	Name of the Product(s)
<hr/>	
1.	Machine Tool Parts
2.	G.I. Wires
3.	Copper Wires
4.	Bicycles
5.	Grey Iron Castings upto 2 Tons
6.	Forgings Ferrous & Non-ferrous upto 2 Kgs.
7.	Non-ferrous castings upto 20 Kgs.
8.	Processed Fruit Vegetable Products.
9.	Building Bricks
10.	FRP Products
11.	Plastic Woven Sacks
12.	Drugs & Pharmaceuticals
13.	Paints & Varnishes*
14.	Phthalate Plastics*
15.	Pesticide Formulations
16.	Synthetic Detergents
17.	Rerefined used Lubricant Oils
18.	Distribution transformer 33 KV, 1000 KVA
19.	Control Panels
20.	Instruments: Measuring instruments and control instruments like ammeter, volt meter, watt meter, control equipments based on resistance measurements & REMF Measurements etc.
21.	Electronic Items: Cassette Tape Recorders/Car Cassette Players/ Telephone Answering Machines and Combination thereof with Radios
22.	Micro Cassette Recorder/Dictaphone
23.	Cassette/Prerecorded Cassettes(Audio and Video)
24.	Intercom Systems
25.	Electronic Teaching Aids
26.	Electronic Multi-meters/Volts-meters
27.	Electronic Panel Meters

* Some items of the group are reserved.

Source: Based on Appendix V given in the Development Commissioner (Small Scale Industries), Report -- 1980-81: Small Industries Development Organisation, 1981, pp. 237-241.

government announced a scheme under which all industrial establishments holding Registration Certificates (without specifying capacities) had to obtain endorsement of capacities on the basis of actual production. For the items reserved for the small scale sector, the productive capacity was to be determined with reference to the best three years production achieved by the undertaking prior to the date of reservation or August 29, 1973, which ever was earlier.

The same policy, however, stipulated that if the undertaking agrees to buy and market the same or similar products of small scale industries, its own capacity would be enhanced to that extent. Under this provision a large company can have higher level of licensed capacities by initially agreeing to market the products of small scale units. Later the undertaking could take up its own production to wipe out the small scale suppliers because of whom the company got the enlarged industrial capacities. Such loopholes cannot but be to the detriment of the small scale sector and help promote the emergence of near monopoly conditions in the market.

There are a number of companies for which the permission in the form of Industrial Licence or absence of it does not materially seem to make a difference. These companies either keep dragging the matter of fixation of licensed capacity with the authorities on one or other plea or just keep on producing according to what the market can bear. A number of Large House companies, which claim to have been small scale units initially, but are no longer eligible to non-applicability of the industrial licensing system have not accepted the capacities endorsed to them on their COB licences. Indian National Diesel Co. Ltd., Nima Ltd., and J.K. Helen Curtis Ltd. are the cases in point.

Whenever an item gets placed on the reserved list the then existing large scale units find themselves in an advantageous position since other large scale manufacturers would not henceforth be able to enter the industry. They will face a limited and often weak competition from the small scale manufacturers. Because of substantial economies of large scale production and marketing the larger manufacturers would often enjoy a price advantage. premium. These economic advantages would

undoubtedly tempt the large producers to ignore licensing obligations.¹⁵ This is particularly so if no punitive action can be taken against the violating undertakings.

The Ministry of Law had advised the Government that it may be difficult to launch or sustain prosecution against units which do not respect the IDRA provisions. They opined that this was because "the licences were given in terms of capacities and not in terms of production." In view of this, the Government admitted that

...it has been difficult to launch prosecutions under the IDR Act, on account of the installed capacity being in excess of licensed capacity. A few cases of this type related to the manufacture of tooth-paste by M/s. Colgate Palmolive, aluminium (sic) by M/s. Gwalior Rayons could not be initiated due to the limitation of one year under Code of Criminal Procedure and the problem of acquiescence as the concerned Administrative Ministry had been providing raw materials required by the unit even for the production of quantities in excess of the licensed capacity. Similarly, action against M/s. Cadbury for excess production of Bournvita could not be taken due to application of Law of Limitations. (emphasis added)¹⁶

The Bombay High Court, in a recent judgement observed that the Union Government has no power under the Industries (Development and Regulation Act), 1951, particularly under Section 29 B (1), to reserve any item of manufacture for the small scale industries or any other class of industries.¹⁷ The large sector companies have been obviously aware of this fact for a long time and hence violations of the licensing provisions. This, on the other hand, permits action by large companies against the very spirit and purpose of the philosophy of reservations. To correct this lacunae in the law the Government of India has issued an Ordinance on January 13, 1984. The Ordinance which provides for

the validation of all notifications and orders issued since February 19, 1970 regarding defining of small-scale and ancillary

15. A number of companies were found to be producing at levels far above their licensed capacities. It was also observed that reserved items also had been no exception. Indeed, in some cases reported production was more than double the licensed capacity. Cf. See Corporate Studies Group, op. cit. Even the Ministry of Industry, admitted that it received complaints that large and medium sector units were producing reserved items like laundry soap, sodium silicate, tooth paste, tin containers, paper conversion products, dyestuffs and gummed stamped papers etc. in excess of capacities endorsed on their licences or registration certificates. Cf. Estimates Committee (1980-81), Fourteenth Report, op. cit.

16. Cf. Estimates Committee (1980-81), Fourteenth Report, op.cit., p. 73.

17. Financial Express, February, 10, 1983.

industries and also reservation of certain items of production for the small scale sector

clearly reflects the weak grounds on which the reservation policy was being followed during the past thirteen years.

The magnitude of the problem can be understood from the following illustrations. For instance, Britannia Industries Ltd., Indian affiliate of a transnational corporation, reported a production of 34,042, 34,907, 39,817, 48,945, (15 months), 41,266 and 41,200 tonnes of biscuits and high protein food for the years 1978, 1979, 1980, 1981, 1982 and 1983 respectively against a reported licensed capacity of just 3,600 tonnes. The company has been arguing that:

Licensed capacity for biscuits is exclusive of capacities in respect of plants which were established before the licensing regulations came into force. The matter with regard to endorsement of capacity for biscuits is, however, under consideration of the Central Government.¹⁸ (emphasis added)

In its Annual Report for the year 1982-83, the company reported an increase in its installed capacity of biscuits and high protein food from 35,536 tonnes to 47,601 tonnes (nearly 34% increase) and this increase was justified on the basis of certification by certified Chartered Engineers!

Colgate Palmolive (I) Ltd., another transnational corporation operating in items reserved for the small scale sector, has been contending in the following manner.

In its Annual Report for the year 1978:

The Industrial undertaking was established prior to the enactment of the Industrial (Development & Regulation) Act, 1951. The Company, therefore, did not require any industrial licence at the time of establishment of its undertaking. In 1957, the Company was granted a licence for substantial expansion for the manufacture of Tooth Paste, Face Cream and Snow, Talcum and Face Powders, Oils and Shampoos and other requirements. The Company applied for endorsement of its productive capacity on its Registration Certificate under the Industries (Development & Regulation) Act, 1951, in pursuance of Government Notification No. S.O./IDRA/10/75/2 dated July 5, 1975. The Government's endorsement of the annual productive capacity communicated through their letter of February 14, 1979 was for Tooth Powder 77 tonnes and in respect of Tooth Paste works out to 1,388 tonnes which are much below the installed capacity of 2025 tonnes and 6,982 tonnes respectively and the actual production achieved during 1978 of 2,150 and 6,003 tonnes respectively for these products. The company has made a representation to the Government for endorsing its current productive capacity on its Registration Certificate. The matter is still being followed up. (p. 18) (emphasis added)

18. Britannia Industries Ltd., Annual Report, 1982-83, p.27.

In its Annual Report for the year 1979:

... which (the endorsed capacities) are much below the installed capacity of 2,025 tonnes and 6,982 tonnes respectively and the actual production achieved during 1979 of 2,400 and 5,964 tonnes respectively for these products. The Company does not share Government's view in this regard and it has informed Government accordingly. (p.21) (emphasis added)

In its Annual Report for the year 1980:

... The Company does not share Government's view in this regard and it has informed Government accordingly. As a matter of fact, the endorsed capacities are much lower than the actual production achieved during 1980 of 2,880 and 7,228 tonnes for the two products respectively. Presently the installed capacity at full utilisation of the equipments based on replacement of old equipment, current technological and other relevant factors is assured at 4,500 tonnes for tooth powder and 11,000 tonnes for tooth paste. (p. 21) (emphasis added)

There was no change in the company's stand even in 1982 and it further claimed that it had been advised that it was entitled to utilise its installed capacity. The company's installed capacity of tooth powder increased from 2,025 tonnes to 4,500 tonnes and that of tooth paste increased from 6,982 tonnes to 11,000 in just one year(1980). In this connection, it may be relevant to refer to the observations of the Estimates Committee of Parliament:

Items like tooth paste, laundry soap and cycle tyres and tubes are 'reserved' items which are being produced by multinationals and large units also. There are many other reserved items which were licensed for production in large sector prior to reservation. Since 1970, when tooth paste, for instance, was reserved for exclusive production in small scale sector, 9 organised sector units with total approved capacity of 3927 M.T.s had increased their production to 9400 M.T.s by the end of 1978. On the other hand, in the small scale sector, as against the installed capacity of about 4700 M.T.s in 9 small scale units, the production of tooth paste in 1978 was only about 740 M. Tons. If there have been loopholes in the Industries (D & R) Act, as the Ministry seem to hint, which allow large industries to produce more than the authorised capacity on the plea of more efficient use of installed capacity, the Ministry have not explained why they have allowed the loopholes to continue so long to the detriment of small scale sector. It is rather difficult to accept that increase of production of tooth paste to 9400 Mts as against an installed capacity of 3927 Mts in large sector could be due only to more efficient use of installed capacity as hinted by the industry. There are complaints of excess production in large sector in respect of a number of other reserved items also. (emphasis added)

Hindustan Lever Ltd., provides another interesting example. The company produces tooth paste, shaving cream, and other toilet preparations. These products are reported by the company in its Annual Reports under the head 'Personal Products'. In its Annual Report for the year 1982, the company reported an increase in its installed capacity of personal products from 2,166 tonnes to 4,180 tonnes i.e. an

increase of more than 2000 tonnes (93%). The enhanced capacity has been justified on the basis of an estimation by an independent chartered engineer!

The company reported an increase in its licensed capacity of 'personal products' from 3,203 tonnes to 5,208 tonnes. Correspondingly, the company claims a permitted liberalisation of the licensed capacity to the extent of 25 per cent.²⁰ With the toilet preparations falling basically in the small scale reserved list, it is not clear how the company could get a substantial expansion licence and on what basis it is claiming liberalisation of the licensed capacity, particularly since the company falls under both MRTPA and FERA. Even in the case of soaps, which includes laundry soaps, a reserved item, the company has been reporting the 'licensed' capacities on the basis of its 'submission' to the government, and not the ones actually endorsed on its Registration Certificate. This becomes evident from the explanation provided by the company in its Annual Report for the year 1982.

Since our undertakings for manufacture of soaps were in existence prior to the enactment of Industries (Development and Regulations) Act, 1951, the company was only required to obtain a Registration Certificate and later under an amendment of the Act in 1975, to apply for endorsement of capacity on the same. The capacities disclosed herein, as is done previously, are in accordance with the company's submission to Government relating to its installed productive capacities. The Government has, subsequent to the year end, endorsed lower capacities without a technical inspection of our installed capacities. As provided under the law and the guidelines issued by the Government, the company has represented to the Government and requested for endorsement of capacity based on technical inspection. The company's representation is under the consideration of Government (emphasis added).

Also one finds it difficult to understand the claim of the company of an increase in its licensed capacity of soaps from 70,108 tonnes to 76,775 tonnes. The company did not disclose earlier that the reported 'licensed' capacities were based on its submission to the government and not the 'actual licensed capacities' as was explained in its Annual Report for the year 1982 but the general footnote only said "Licensed capacities include registered capacities for activities existing prior to the Industries (Development & Regulation) Act, 1951."²²

20. Hindustan Lever Ltd., Report and Accounts, 1982, p. 15.

21. Ibid., p. 15.

22. Hindustan Lever Ltd., Report and Accounts, 1981, p. 14.

If an item is not reserved for the small-scale sector but is manufactured both in the large organised sector as well as in the small-scale sector, there would be built-in unfair competition. However, excise duties on the large sector are expected to neutralise the comparative advantage that large units may have on account of economies of scale. But when an item is reserved for the small scale sector, the policy objective goes beyond mere cost adjustments. For instance, when a large scale organized sector company expands its manufacturing capacities in the shoe industry this would directly result in lesser economic opportunities for the cobblers as a community, who belong to the most depressed sections of the Indian society. Take the case of Bata (I) Ltd. The company was reported to be producing 64.6 lakh pairs of shoes against the licensed capacity of 31.2 lakh pairs at the company's factory located at Digha.²³ The level of excess production was also quite high in other units of Bata. This fact came to the notice of Government in 1968-69. One does not know of the precise action taken against the company for this violation. The only fact known is that the company today does not even report the extent of the "capacity licensed". For at least five years (1978-1982) the company merely mentions:

Application for endorsement of productive (installed) capacities on the Registration Certificates have been made and they are pending consideration by Government of India.²⁴

One can cite case after case to show how the phenomenon of excess production by large scale units in items reserved for the small scale sector, affects adversely the poorer households, small entrepreneurs, local craftsmen and the sections of population which were supposedly sought to be protected. In such cases, probably, the justification for the violations may be in the exports undertaken or in the desire to achieve optimal utilization of the plant and machinery to reduce costs for the consumers. This could be a justification for the violations. In case of the shoe industry, however, it is only too well known that the economies of scale as associated with mechanization have not led to lower prices, even for the ordinary shoes generally required by the

23. ILPIC Report, op. cit., (Appendices), Vol. III, p. 59.

24. Cf. Annual Reports of the Bata India Ltd., 1978 to 82. For instance see Schedule 18 (b) of the company's Annual Report for the year 1981, p. 20

poor. Who shares, and in what pattern, the advantages of such exports? This is an open-ended question. In the case of garment exports a study under the Indo-Dutch Programme of the ICSSR shows that the lion's share is claimed by the trader intermediaries.

Whenever large houses and FERA companies are allowed to expand in the reserved items, the Government, it is claimed, puts an obligation on the unit to export 75 per cent of the additional production effected.²⁵ The company Annual Reports do not provide information with regard to the fulfillment of their obligations. The Estimates Committee of Parliament dealt with this aspect at some length. The Committee was informed by the Ministry of Industry that complaints regarding the sale in the domestic market by large scale units on the plea that they were unable to export were received in the case of tissue paper, hydraulic jack, bolts, screws and duplicators. It was further stated that "in respect of tissue paper the action was taken and the particular unit was asked not to continue production. Export obligation was scrutinised and revised obligation was imposed". To this the Committee reacted that "It is a moot point whether the aforesaid action taken by Government could actually be called 'action' at all". The Committee asked the Government to deal with such cases more stringently "in order to save the small scale sector from such surreptitious attempts of the Large Units to out-market the former."²⁶ The Government's reply to this recommendation of the Committee makes interesting reading. It says that:

...while taking such action (against manufacturers who fail to discharge on export obligations imposed on industrial licences) Government keeps in view the difficulties that may be inherent at a particular time in the export of a particular product... in the case of regular exporters or in the case of exporters where the value involved is high, the exporter may be exempted from giving a bank guarantee with his export obligation bond and instead, only a legal agreement with a bank guarantee may be accepted. In the legal agreement, a provision is made in the event of the exporter not being able to export the goods as per the export obligation laid down, he shall hand over the goods to the agency²⁷ nominated by Government and pay liquidated damages to such agency.

The nominated agency would then try to sell them abroad at a price that it is able to fetch. The Estimates Committee observed that in actual

25. Cf. INDIA, Ministry of Industry, Department of Industrial Development, Press Note No. 11/15/80-LP dated April 21, 1982.

26. Cf. Estimates Committee (1980-81), Fourteenth Report, op. cit., pp. 121 to 124.

27. Cf. Estimates Committee, Thirtieth Report, op. cit., p. 71.

practice, the STC, which is the nominated agency, was having certain practical difficulties in taking over the goods in such cases.²⁸

Identification of Reserved Items Manufactured by Large Scale Sector:

Company Annual Reports are an important source to know the production status of the industrial licences issued under the IDRA. In these publications, quite frequently, the production and capacity data are reported in such vague terms which makes a mockery of any regulatory system. The vagueness in reporting ranges, as we have already noted in another study referred to earlier,²⁹ from 'tablets and capsules' to 'heavy inorganic chemicals' to 'industrial machinery'. From such reportings it is not possible to know even the names of products manufactured by a company, let alone the actual production of any one product. Apart from its effect on monitoring and implementation of the industrial licensing system, vagueness and clubbing of licences also affects the identification of items manufactured by large scale units, which are reserved for the small scale sector.

Table-8 lists companies which hold licences for products, certain ranges of which also find a place in the reserved list of items for the small scale sector. What has been the government's policy with regard to licensees holding licences for products which overlap with the reserved items? How does the government decide the relative portion of reserved and unreserved ranges when it comes to automatic growth or regularisation of excess capacity? These are difficult questions. The Ministry of Industry, however, has not enunciated a clear policy to deal with such cases.

A dimension of the problem may emerge clearly from the following example. 'Low tension insulators' are reserved for production in the small scale sector. Indian Rayon Corporation in its annual report for the year 1981-82 reported a licensed capacity and production at 11,000 and 10,681 M.T. respectively of 'High & Low Tension Insulators and Bushings'.³⁰ If the company has been granted a single licence for 'High

28. Ibid.

29. Corporate Studies Group, op. cit.

30. Indian Rayon Corporation Ltd., Annual Report, 1981-82, p. 22.

Table - 8

**Illustrative List of Companies Having Been Issued Licences for Products
A Certain Range of which Have been Later Reserved for the Small Scale Sector**

S. No.	Name of the Company and Location	House Association Number	Licence Number	Product		Capacity Licensed
				As Licensed	As reported in AR	
1	2	3		4	5	6
Products as Reserved: A - Exhaust Fans Upto 460 mm. and Table Fans						
1.	Ganesh Flour Mills Co. Ltd., Delhi	-	L/5(2)/N-34/60 Dt. 22.1.60 (NU)	Ceiling, table pedestal and exhaust fans	Not available	75,000 nos.
2.	General Electric Co. of (I) Ltd., Calcutta	GEC	L/5(3)/6/EEL/61 Dt. 6.3.61 (SE)	Electric fans	Fans	36,000 nos. after expansion
3.	Jay Engg. Works Ltd. U.P.	Shriram	L/5(3)/11/EEL/69 Dt. 10.3.69 (NU)	Table, pedestal and wall fans	Fans	1,50,000 nos.
4.	Matchwell Electrical Inds. Ltd., New Delhi	Bajaj	L/5(3)/N-17/60 Dt. 21.7.60 (shifting)	Electric fans	Fans	1,14,000 nos. (on single shift)
5.	Orient General Inds. Haryana	Birla	L/5(3)/10/EEL/69 Dt. 10.3.69 (SE)	Electric fans	Electric fans	3,00,000 nos.
6.	Orient General Inds. Calcutta	Birla	L/5(3)/N-11/59 Dt. 29.5.59 (SE)	Electric fans	Electric fans	1,32,000 nos.
Products as Reserved: B - Radio/Car Radio Low cost Upto Rs. 250/- each						
7.	General Electric Co. of (I) P. Ltd. Calcutta	GEC	L/6(4)/7/68/DS Dt. 16.5.68 (SE)	Radio receives	Not reported	40,000 nos. after expansion
8.	Gramophone Co. of (I) P. Ltd. Calcutta		L/6(4)/5/DS/68 Dt. 21.5.68 (SE)	Radio receivers	Radio sets	40,000 nos. after expansion

Contd...

S. No.	Name of the Company and Location	House Association	Licence Number	Product		Capacity Licensed
				As Licensed	As reported in AR	
1	2	3	4	5	6	
9.	India Plastics Ltd., Bombay.	Birla	L/6(4)/10 L/34/11/56 Dt.7.8.56(Na)	'G' Marconi radios	Not reported	4,800 sets
10.	India Plastics Ltd., Bombay	Birla	L/6(4)/N-17/58 Dt.30.9.58(SE)	R.C.A. brand radio receivers	Not reported	15,000 sets
11.	Mulchandani Radio & Electrical Inds. P. Ltd., Bombay	-	L/6(4)/11/DS/68 Dt.25.7.68(SE)	Radio receivers	Not available	3,00,000 nos. after expansion
12.	Murphy India Ltd., Thana.	-	L/6(4)/13/DS/69 Dt.1.11.69(SE)	Radio receivers	Not available	7,00,000 nos.
13.	National Ecko Radio & Engg. Co. Ltd. Bombay	Tata	L/6(4)/14/DS/68 Dt.21.8.68	Radio receiver	Radio receivers	2,00,000 nos. after expansion
14.	Phillips (I) Ltd. Poona	Phillips	L/6(4)/4/68/DS Dt.30.3.68(SE)	Radio receiver	Radio sets	3,30,000 nos. after expansion
<u>Product(s) as Reserved : C - Diesel Engines upto 15 H.P. Slow Speed</u>						
15.	Cooper Engg. Ltd. Bombay.	Walchand	L/4-2/N-18/59 Dt.24.8.59(SE)	Diesel engines	Diesel engines	8,500 nos.
16.	Enfield (I) Ltd., Tiruvottiyur	-	L/4(2)/11-FEI/65 Dt.29.6.65(SE)	Engines for agricultural, industrial and others	Agro industrial engines	40,000 nos. (double shift)
17.	Indian National Diesel Engine Co. Ltd., Kidderpore	Mahindra	L/32/1/52 Dt.9.12.52(MU)	Diesel engines	Not reported	1,560 nos.
18.	Kirloskar Oil Engines Ltd. Kirkee	Kirloskar	L/4-2/N-4/58 Dt.1.12.58(SE)	Diesel engines of 5 to 200 HP	Engines between 3 HP 650 HP	10,000 HP approx.
19.	Kirloskar Oil Engines Ltd. Faridabad	Kirloskar	L/4(2)/17-FEI/67 Dt.30.3.67(MU)	Internal combustion diesel engines	Engines between 3 HP and 650 HP	8,000 nos.

Contd...

S. No.	Name of the Company and Location	House Association Number	Licence	Product		Capacity Licensed
				As Licensed	As reported in AR	
1	2	3	4	5	6	

Product(s) as Reserved: D - Electric Motors 1HP to 10 HP and 11KVA - Except Special Types and HEP Motor AC - Excluding Special Types

20.	Associated Electrical GEC Inds. (I) Ltd., Calcutta	L/14/9/56 L/5(2)/8 Dt. 4.6.56 (SE)	Electric motors incl. pumping sets after expansion	Not available	4,392 sets 83,920 HP
21.	Coimbatore Premier P. - Ltd. Coimbatore	L/5(2)/N-5/57 Dt. 21.5.57 (NU)	Electric motors	Not available	1,800 nos.
22.	Crompton Parkinson (Works) Ltd., Bombay. (Now Crompton Greaves)	L/5(1)/123/EEL/66 Dt. 6.5.66 (SE)	Electric motors incl. alternators upto 450 kw	Motors & alternators	4,80,000 nos.
23.	Electric Construction Birla & Equipment Co. Calcutta	L/5(2)/N-40/60 Dt. 25.5.60 (SE)	Electric motors	Electric motors and pumps	To be assessed by Dev. Wing
24.	General Electric Co. GEC of (I) P. Ltd. Calcutta	L/14/8/56 L/5(2)/8 Dt. 23.3.56 (SE)	Range of electric motors upto 200 HP	Motors	60,000 HP 80,000 HP After expansion
25.	Kirloskar Electric Co. Ltd. Hubli	L/5(2)/21/EEL/64 Dt. 16.3.64 (Shifting)	Small motors	Electric motor incl. flame proof motors	Not available
26.	Southern Industrial Corpn. Chingelpet	Chidambaram L/9/N-46/59 Dt. 23.11.59 (NA)	Electric motors	Electric motors	48,000 units

Product(s) as Reserved: E - Potential and Current Transformers Upto 11KV Except for Captive Consumption

27.	Crompton Parkinson (Works) Ltd. Bombay. (Now Crompton Greaves)	L/19/25/55 L/5/1/12 Dt. 12.8.55 (SE)	Transformers	Transformers	48,000 KVA
28.	Electric Construction Birla & Equipment P. Ltd. Sonapat.	L/5(1)/92/EEL/63 Dt. 24.10.63 (NU)	Transformers upto 33 KV	Transformers	1,50,000 KVA

Contd....

S. No.	Name of the Company and Location	House Association	Licence Number	Product		Capacity Licensed	
				As Licensed	As reported in AR	As Licensed	As reported in AR
1	2	3	4	5	6	7	8
29.	-do- Visakhapatnam	-do-	L/5/1/34/EEL/61 Dt. 15.6.61(NJ)	Transformers upto 33 KV/ 5,000 KVA	-do-	1,50,000 KVA	
30.	-do- Calcutta	-do-	L/14/7/56 L/5/2/17 Dt. 27.2.56 (SE)	Transformers	Transformers	upto 1,00,000 KVA	
31.	Indl. Engg. Corpn. Ltd. (Indian Trans- formers Ltd.) Kottayam,	GEC	L/19/4/53 L/5/1/1/ Dt. 20.2.53(SE)	Transformers	Transformers	10,000 KVA	
32.	Jyoti Ltd. Baroda	Amin	L/5(1)/EEL/60 Dt. 8.7.60(SE)	Current transformers potential transformers	Not reported Not reported	3,600 nos. 360 nos.	
33.	National Electrical Inds. Bombay	Tata	L/5/N-9/60 Dt. 4.4.60(SE)	Current transformers potential transformers	Current transfor- mers potential transformers	5,000 nos., 2,000 nos. (single shift)	
34.	Voltas Ltd. Bombay	Tata	L/5(1)/105/EEL/64 Dt. 7.3.64(SE)	current and potential transformers upto 33 KV	Current transfor- mers, potential transformers	2,000 nos.	

Source: Information on licensees, licence numbers, product and capacity licensed is compiled from, functioned Capacities in Engineering Industries, published by the National Council of Applied Economic Research, New Delhi in 1971.

Note: AR = Annual Report of the Company.

& Low Tension Insulators and Bushings', it will have the liberty to either manufacture low tension insulators to full capacity or have any other production mix. On the other hand if the licence showed separate sub-limits, the maximum limits would have been fixed. The company reported a production of 6,282 M.T. of the 'product' for the year 1978-79 against its then existing licensed capacity of only 5,000 M.T.³¹ The company acquired a unit, through the amalgamation of Jaya Shree Textiles and Industries Ltd., in 1976. The amalgamating unit had reported separate licensed capacities of 1,400 M.T. of high tension insulators and bushings and 200 M.T. of low tension insulators in its Annual Report for the year 1971.³² What would any monitoring system do to deal with such cases?

There are a number of reserved items like soaps (laundry), radios (low cost upto Rs.250/- each), diesel engines (upto 15 H.P. slow speed), voltage stabilizers (domestic type), electric motors (1 HP to 10HP A.C. - except special type), fans (table), duplicating machines (other than those of special type), concrete mixers (upto 3 cubic metre capacity), exhaust fans (upto 460 mm.) etc., in whose case the identification of excess production over licensed capacity by large scale manufacturers is practically impossible. It can always be claimed that the item of manufacture is of a 'special' type. Chemicals is a typical problem area. A number of chemicals appear in the reserved list with qualification '--lab', thereby implying that the chemical of laboratory grade is reserved for the small scale sector. How many companies are there in the organised sector which report whether they are producing for laboratories or for industrial use? Obtaining of such information is a near impossibility.³³

In the case of hose pipes manufactured by Jaya Shree Textiles & Industries, a division of Indian Rayon Corporation Ltd., The Telegraph, dated November 4, 1982 reported that the company's application for

31. Indian Rayon Corporation Ltd., , Annual Report, 1978-79, p. 28.

32. Jaya Shree Textiles and Industries Ltd., Annual Report, 1972, Schedule 'O'.

33. Is it presumed that large scale sector cannot produce high quality lab standard chemicals? Or, conversely, laboratories can be dumped with products of low standard whereas other production activity cannot be supported with substandard products?

regularisation of excess capacity in the case of 'rubber reinforced and lined hose pipes' was not accepted by the Ministry of Industry as it felt that the items were reserved for the small scale sector. The Development Commissioner for Small Scale Industries, however, seems to have said that the item was not a reserved one. He explained that only fire fighting hose and not rubber reinforced and lined fire fighting hose was a reserved item. Hose pipes, as appearing in the list of items reserved for the small scale sector are: (i) rubber hose pipes-excepting wire braided high pressure-hydraulic hoses (later changed to rubber hose pipes excluding braided hoses vide Notification No. S.O. 312 (E) dated 12.5.1980) and (ii) rubberised canvas hose pipes-excepting wire braided high pressure hydraulic hoses.³⁴ The hose pipe case is only an illustrative one to show the problems involved in operationalisation of the reserved list.

Herdillia Chemicals (Parry/FERA) was issued a Letter of Intent in March 1981 for 6250 tonnes of 'phthalates'³⁵, while (i) diethyl phthalate, (ii) diocetyl phthalate, (iii) dibutyl phthalate and (iv) dimethyl phthalate are reserved for the small scale sector. A Letter of Intent for manufacture of 8,000 tonnes of ceramic glazed wall and floor tiles was issued to Shri K.K. Maheshwari of Bangalore³⁶ while glazed tiles upto 10cm x 10cm are reserved for the small scale sector. Similarly, Excel Industries Ltd. was given a letter of intent for 8000 tonnes of ceramic floor & wall tiles.³⁷ Asian Paints (I) Ltd., was given a Substantial Expansion (SE) Licence for 25,640 tonnes (after expansion) of paints and enamels³⁸ while (i) red lead paints (ii) red oxide paints, (iii) wagon black paints, (iv) graphite paints, (v) paste paints, (vi) aluminium paints and (vii) bitumen based paints are

34. Guidelines for Industries(1979), p. Sec. IV-4. The company finally obtained a licence in November 1983 for increasing its licensed capacity from 5.1 lakh meters to 8.1 lakh metres.

35. Indian Investment Centre, "List of Industrial Licences/Letters of Intent Issued Under the Industries (Development & Regulations) Act 1951 during March, 1981", Supplement of Monthly News Letter, April 1981, p. xv.

36. Ibid., December 1981, p. xii.

37. Ibid., February 1983, p. xv.

38. Ibid., June 1981, p. iii.

reserved for the small scale sector. Similarly, another company, Alkali & Chemical Corporation of (I) Ltd. was given a letter of intent (SE) in May 1983 for increasing its capacity of paints, varnishes and enamels from 70.50 lakh litres to 120.50 lakh litres. In contrast to this, Dr. Surinder Kapur of Bombay was given a letter of intent in May 1983, which clearly specifies the licensed products as follows:

Paints for Industrial and General Use (i) low baked paints (ii) water borne paints: (a) spraying type (b) electrophoretic type and (c) dipping type (iii) two components paints (acrylic and polyurethane) (iv) high solid paints³⁹

Finally, the fact that the Large Houses cannot be prevented from entering into the areas reserved for the small scale sector, if they so wish, is reflected from a case reported in the India Today dated October 15, 1982. It is reported that Niky-Tasha India Private Ltd., "run by Mrs. Ritu Nanda but masterminded by her husband Rajan Nanda, who happens to be president of engineering giant Escorts Ltd." was doing exceptionally well: having started with a Rs. 4 lakh bank loan, the company was expected to reach a sales turnover of Rs. 10 crores in its first full year of operation - with profits of Rs. 4 crores. According to Mrs. Nanda, the profits in the first year will be "more than that for any division of Escorts, barring one."⁴⁰ Having been promoted by members of a Large House, one would expect that the company must have entered an industry included in the Appendix-I.⁴¹ But one finds that the items of manufacture are gas stoves and cooking ranges, which do not find a place in Appendix-I and moreover, are reserved for the small scale sector.⁴²

39. Ibid., June 1983, p. xiv.

40. Cf. India Today, Vol. VII, No. 9, October 15, 1982, p. 129.

41. As per the 'Industrial Policy - Government Decisions' dated February 2, 1973, Larger Houses will be eligible to participate in "the core industries of importance to the national economy in the future, industries having direct linkages with such core industries, and industries with a long term export potential are all of basic, critical and strategic importance for the growth of the economy" provided further that the item of manufacture is not the one that is reserved for production in the public sector or in the small scale sector. These industries are often referred to as Appendix-I Industries. Cf. Guidelines for Industries (1979), pp. Sec. II - 6 to 9.

42. The list of items reserved for the small scale sector includes (i) gas appliances such as cooking ranges, (ii) electric stoves upto 3 KW, (iii) hot plates/boiler plates upto 3 nos/upto 4 KW, (iv) cooking ranges upto 4 hot plates/boiler plates with/without baking oven hot cases upto 4 KW, and (v) baking ovens with/without provision for roasting/grilling upto 56.6 litres and 1 KW. Cf. Guidelines for Industries (1982) pp. Sec. III - 77 and 79.

It is also interesting to note that the National Small Industry Corporation Ltd.(NSIC) has formulated a hire-purchase scheme for selling Niky-Tasha products to the salaried classes.⁴³

Non-applicability of Licensing for Reserved Items:

It has been the stated policy of the government that large companies will not be allowed to exceed the licensed capacities in the case of products reserved for the small scale sector manufactured by them. In this background, it is surprising to come across a number of cases where Large House companies claim non-applicability of licensing for the reserved items produced by them. How can one prevent them from exceeding their 'licensed' capacities when they claim non-applicability of industrial licensing and thus are not bound by any capacity constraints? The cases listed in Table-9 excluding the ones which were known to be claiming non-applicability on the basis of being small scale units, illustrate this point clearly. A number of Large House Companies are operating in the manufacture of Readymade Garments, an item reserved for the small scale sector. Interestingly most of them have been claiming non-applicability of industrial licensing for this item. (i) Coromandel Garments Ltd. -- subsidiary of Svadeshi Mills Co. Ltd. (Tata); (ii) Mafatlal Apparel Mfg. Co. Ltd. -- subsidiary of Standard Mills Co. Ltd.(Mafatlal), (iii) J.K. (Bombay) Ltd. -- subsidiary of Raymond Woollen Mills Ltd.(J.K. Singhania), (iv) Rajindra Dying & Printing Mills Ltd. -- subsidiary of Ahmedabad Mfg. & Calico Ptg. Co. Ltd.(Sarabhai), (v) Binny Ltd. (Binny), (vi) Modella Knitwear Ltd., -- subsidiary of Modella Woollens Ltd., (vii) RNR Apparels Ltd. -- subsidiary of Dawn Apparels Ltd., and (viii) Dawn Apparels Ltd. -- subsidiary of Dawn Mills Co. Ltd. are cases in point.

A number of companies belonging to the Kores (I) Ltd. group claim that licensing is not applicable to their manufacturing activities. Koron Business Machines Ltd., Deeko (I) Ltd., Reeves (Artiste Materials) Ltd. are cases in point.⁴⁴ Similarly, Premier Lines Ltd., Amartara

43. Cf. Circular (Ref. No. SIC/MKG/DEV/5(11)/83) Dated 21.11.1983 of The National Small Industries Corporation Limited.

44. Kores (India) Ltd., however, obtained a COB licence in May 1983 in the case of stencil papers, carbon paper and teleprinter rolls.

Table - 9

Showing Illustrative List of Companies Claiming Non-applicability of Industrial Licensing
In Case of Items Reserved for the Small Scale Sector

Sl. Name of the Company	House Association/ Foreign Co. Status	Small Scale Items Manufactured by the Company	Reserved Items	Remarks of the Company regarding the licensed capacity
1	2	3	4	
1. Ajay Industrial Packaging Ltd.	Amartara@	Surfane, Tixofilms, tinki films and Glue		"Not Applicable" (AR 1980)
2. Amartara Plastics Ltd.	Amartara@	P.V.C. films, tear off ribbon, door gasket, plastic containers, plastic cases, P.V.C. film rigid		"Not Applicable" (AR 1980)
3. Britannia Biscuits Co. Ltd.	was a FERA Co.	Bread, Cake & Rusk, Marins: Products		"Not Applicable" (AR 1978-79) The company has since been given a COB Licence.
4. Carona Sahu Co. Ltd.	S.P. Jain	PVC Footwear		"No licence, as exempted under press note of Government of India dated 28th Oct., 1966. By a press note dated 27th June 1969, issued by the Government of India, diversification into PVC footwear requires a licence. However, the company is of the view that the said press note applies to diversification subsequent to the 27th June, 1969 Press note. This has been relied on by the auditors without verification". (AR 1978-79)
5. Chawla Chemical Inds. Ltd. (Sub. of Bombay Bumah Tdg. Corp. Ltd.)	Wallace	Barium Carbonate, Barium Nitrate, Barium Chloride, Barium Sulphate, Barium Hydroxide, Barium Chromate, Barium Peroxide, Barium Sulphide		"No licence is required for producing the above items." (AR 1980)
6. Coates of (I) Ltd.	Bird Heilgers/ was a FERA Co.	Printing Inks		"Not Applicable". (AR 1979)
7. Colgate Palmolive (I) Ltd.	was a FERA Co.	Tooth Brushes and Shave Brushes		"N.A." (AR 1978)

Contd...

1	2	3	4
Sl. Name of the Company	House Association/ Small Scale Reserved Items Foreign Co. Status Manufactured by the Company	Remarks of the Company regarding the licensed capacity	
8.	Coromandel Garments Ltd. (Sub. of Svadeshi Mills Co. Ltd.)	Tata	Garments, made ups
9.	Dawn Apparels Ltd. (Sub. of Dawn Mills Co. Ltd.)	Ruita@	Ready made garments (Brassiers & Briefs etc.)
10.	Deeko (I) Ltd.	was a FERA	Doyleys, Servittres and mats
11.	Gujarat Nets Ltd. (Sub. of Ahmedabad Mfg. & Calico Ptg. Co. Ltd.)	Sarabhai	Circular Knitted Fabrics, Hosiery, Readymade Nets
12.	Hicks thermometers Ltd.		Clinical Thermometers, Chemical Thermometers
13.	Hooghly Ink Co. Ltd.	was a FERA Co.	Printing Inks
14.	Indian Duplicator Co. Ltd.	was a FERA Co.	Duplicating Machines, Supplies
15.	International Computers Indian Mfrs. Ltd.	was a FERA Co.	cards
16.	J.K. Bombay Ltd. (Sub. of Raymond Woollen Mills)	J.K. Singhanla	Trousers, Jackets, Skirts & others, Jeans
17.	J.K. Business Machines Ltd.	J.K. Singhanla	Continuous stationery & Books
18.	Karam Chand Thapar & Bros. (CS) Ltd.	Thapar	Stationery, exercise books, registers, washing soap

Contd...

1	2	3	4
Sl. Name of the Company	House Association/ Small Scale Reserved Items Foreign Co. Status Manufactured by the Company	Leather & Toy Division	Remarks of the Company regarding the licensed capacity
19. Kemp & Co. Ltd.	Piranal @		"Licence is not required for leather & Toy Division" (AR 1981-82, p.17)
20. Kent Leeds Meter Mfg. Co. Ltd.	Mahindra/was a FERA Co.	Water meters, Water meter components, oil pump assemblies	"As the company is not an "industrial undertaking" as defined in the Industries (Development and Regulation) Act, 1951, no licence under the Act is required." (AR 1976-77)
21. Kerala Balers Ltd.	was a FERA Co.	Processed coir and coir products	"Not Applicable" (AR 1979),
22. Killick Cariboram Ltd. (Sub. of Killick Nixon Ltd.)	Killick Nixon	Carbon Papers, Teleprinter & Account... Machine Rolls, Duplicating and other inks etc., Ribbons (inked) for Typewriters and other machines	"Not Applicable". (AR 1980)
23. Kores (I) Ltd.	Birla/Thirani @	Stencils, Carbon papers, Ribbon, Stamp pads, Inks, Teleprinters and other machine rolls and other machine rolls and Barium carbonate, Sodium Sulphide	"Not Applicable". (AR 1981)
24. Koron Business Machines Ltd.	Birla/Thirani @	Photographic machine and processors, paper shredding machines, staples and staple pins	"Not Applicable" (AR 1974)
25. Mafatlal Apparel Mfg. Co. Ltd.	Mafatlal	Garments	"Not Applicable" (AR 1980)
26. Meghdoot Enterprises P. Ltd.	Shri Ram @	Hand Pumps	"N.A." (AR 1980)
27. Modella Knitwear Ltd. (Sub. of Modella Woollen Ltd.)	Modella @	Garments	"Not Applicable". (AR 1980)
28. Mueller & Phipps (I) Ltd.	was a FERA Co.	Talcum powder, medical preparations, Soap, Insecticides	"Not Applicable" (AR 1980)
29. Orient Engg. & Comml. Co. Ltd.	Thapar	N.C. Synthetics, unpigmented varnishes etc. dry chromes	"Not Applicable" (AR 1982)
30. Oswal Agro Mills Ltd. (Sub. of Oswal Woollen Mills Ltd)	Oswal @	Laundry Soap	"N.A." (AR 1981)

Contd...

Sl. Name of the Company	House Association/ Small Scale Reserved Items Foreign Co. Status Manufactured by the Company			Remarks of the Company regarding the licensed capacity
	1	2	3	
31. Perfect Pottery Co. (Madhya Bharat) Ltd. (Sub. of Perfect Pottery Co. Ltd.)	-	-	S.W. Pipes & fittings, refractories, A.R. Bricks, rings, A.R. Cement, Electrical and Industrial porcelains	"Not Applicable" (AR 1978-79)
32. RNR Apparels Ltd. (Sub. of Dawn Apparels Ltd.)	Ruia@	-	Ready made garments	"No licence is required" (AR 1981-82, p.58)
33. Rajindra Dying & Printing Mills Ltd. (Sub. of Ahmedabad Mfg. & Calico Ptg. Co. Ltd.)	Sarabhai	-	Garments, Circular Knitted Fabrics, socks	"Licence not required" (AR 1980)
34. Redditt & Colman of (I) Ltd.	was a FERA Co.	-	Food Products, Detergent preparations, Polishes & compositions	"Not Applicable" (AR 1979)
35. Reeves (Artiste Materials)	FERA, Birla/Thirani @	-	Ink colours and water colour cakes, Photocopying machines, photoconductive plates, toner ink and developer, staples, staple pins, plastic containers	"Not Applicable" (AR 1980)
36. Sansar Machines Ltd.	TVS/FERA	-	Domestic (Sewing) machines, Industrial machines, hand attachments & castings	"No Industrial Licence is required" (AR 1974). "Not Applicable" (AR 1981). The company has since been a COE Licence.
37. Shalimar Rope Works Ltd.	Bangur	-	Ropes, twines & jute textiles	"Not Applicable" (AR 1981-82)
38. Standard Tyre Products Ltd. (Sub. of South India Corpn. Agencies Ltd.)	Chidambaram	-	Rickshaw, Semi-rickshaw tyres	"Not Applicable" (AR 1979)
39. Tullis Woodroffe & Co. Ltd. (Sub. of Gordon Woodroffe & Co. (Madras) Ltd.)	was a FERA Co.	-	Industrial leather accessories	"Not Applicable" (AR 1976)
40. Vulcan Electricals Ltd. (Sub. of Spencer & Co. Ltd.)	Spencer @	-	Voltage Stabilizers, Water heaters, water coolers, T.V. Antenna, Emergency lamps, washing machines, heat connectors, air coolers, electrical lighting fittings chokes for	"Not Applicable" (AR 1981)
41. William Goodacre & Sons (I) Ltd.	Chidambaram/FERA	-	Coir Products: Mats, mattings & carpets,	"Not Applicable" (AR 1976)

Note: @ CIS Classification.
AR in column 4 denotes Annual Report.

Plastics Ltd., Ajay Industrial Packagings Ltd., and India Cork Mills Ltd. belonging to Amartara Ltd. group also did not report licensed capacities for the products manufactured by them. (See Table-8 for details).

How are these companies able to claim non-applicability of licensing for these products? Is it because they are registered small scale units or because the products do not fall under Scheduled Industries? The fact that not all reserved items are part of the Scheduled Industries is already brought out by the example of pressure cookers which was brought under industrial licensing after it was de-reserved. It may be noted that even the Third Plan Working Group on small scale industries felt it necessary to emphasise that:

with regard to reservation of certain products for manufacture in the small scale sector, it may be necessary to incorporate these items in the Schedule to the Industries (Development & Regulation) Act as items reserved for the small sector so as to give legislative backing to this measure. Otherwise, the small units may not be able to derive benefit from the reservation, as there is nothing to prevent the large scale sector from taking up manufacture of these items.⁴⁵

It has been widely recognised that registrations under the M RTP Act do not reveal the full composition of a Large House.⁴⁶ Thus many companies belonging to Large Industrial Houses can, by not registering themselves under the Act, conveniently avoid the additional restrictions imposed on the MRTP companies, particularly those relating to the reserved items. Additionally, a number of well-knit groups whose combined assets did not cross the Rs.20 crores mark required by the M RTP Act, and which generally form the medium sector of the industry can avoid provisions of the IDRA more easily and thus reduce the impact of the protection provided to small scale units.

Marketing of Small Scale Sector Products:

One problem of small entrepreneurs has always been that they cannot face direct competition from the large scale sector. The various types

45. INDIA, Ministry of Commerce & Industry, Report of the Working Group on Small Scale Industries -- Programme of Work for the Third Five Year Plan, 1959, p. 140.

46. For instance, it was observed that out of 988 companies identified by the ILPIC as belonging to the eighteen Large Industrial Houses, as many as 512 companies did not register themselves under the MRTP Act. (See S.K. Goyal, Monopoly Capital and Public Policy, Allied, 1979, Table III. 3, p. 24)

of assistance do help the small scale producers but these are no substitutes for an assured market. Further, small units, individually speaking, cannot undertake any large scale advertisement campaigns and other sales promotion activity. It is beyond the capacity of individual units. The National Small Industries Corporation (NSIC), at one time, was expected to promote standardization and organise internal marketing and provide other support to this sector. The NSIC, however, has largely confined itself to handling orders for the small scale sector from the Government. This role too has been benefitting a small number of units. It was observed that out of nearly 20,000 small scale units registered with the NSIC for government purchases, the actual number availing of the scheme was as low as 1200.⁴⁷

Another important development in the small scale sector relates to the marketing/sub-contracting relationships between small and large scale enterprises. The large ones having access to wide market potential have been entering into production arrangements with large many units of the small scale sector. The design and other specifications are provided by the marketing enterprise and actual production is the responsibility of the supplier units. As a result, one large unit markets products of many small scale manufacturers. The manufacturer is like a 'green room' boy working behind the scene. The name of the small scale manufacturer is generally not disclosed to the customer. The products are sold under brand names of the marketing unit. Since there is decentralised manufacturing, the possibilities of labour troubles do not have to be faced by anyone particularly by the large scale company which is marketing these products. The small units are held in marketing bondage with the sole discretion left with the trading/marketing enterprise. Because the small units are either exempted from or pay relatively lower excise, the marketing enterprises are able to get products cheaply and yet price them high on the plea of high excise on production of consumer goods. Since the suppliers are many, the large organised units are able to extract maximum concessions on account of their being monopoly buyers (Monopsony) and make the small

47. Nasir Tyabji, "A First Approximation to an Evaluation of the NSIC Government Purchase Scheme," (Mimeo), Indian Institute of Public Administration, New Delhi, 1977.

manufacturers vie with one another, to the detriment of their own interests.

The economic advantages of trading are substantial and once consumer acceptability has been obtained the marketing unit starts enjoying a premium on whatever is sold under its brand name. For such trading units, which also have some manufacturing of their own, the marketing of small scale units' products can be more rewarding than their own production. In this process the large trading company is able to avoid 'excise duty' since it has no manufacturing activity, while it sells 'Trade Mark' goods to maintain its identity and goodwill for the future when it could enter into manufacturing -- should that ever become a viable business proposition.

Singer Sewing Machine Company, a transnational corporation, has been marketing sewing machines manufactured by the Indian small scale sector. The Prospectus issued in January 1982 by The Indian Sewing Machine Co. Ltd. (ISMCO), a Company incorporated for taking over the Indian business of the Singer stated:

For the past twenty years, the Indian Branch has been marketing indigenously produced domestic sewing machines under the Trade Mark "Merritt", owned and locally registered by the Singer Company and licensed in favour of Singer. These machines were and continue to be produced by local manufacturers, including those in the small scale sector, to whom Singer extended technical and quality control support.⁴⁸

The company markets sewing machines and components manufactured by nearly 80 small scale units, the annual purchases accounting for more than Rs. 7 crores. Sansar Machines Ltd., in which the company holds 40 per cent equity is one of the suppliers of sewing machines to the company. The company, in which Singer Sewing Machine Co. USA holds extensive managerial control⁴⁹, now expects from its association with

48. Prospectus of Indian Sewing Machine Company Ltd., dated January, 2, 1982, p.7.

49. The Articles of Association (Article 117) of the company (ISMCO) gives the Singer company the right to appoint one-third (non-retiring) of the total number of Directors on the Board of Directors of the company. Further, no quorum at any meeting of the Board "shall be deemed to be constituted unless one of the Directors appointed by the Singer Company, pursuant to the provisions of Article 117 or his Alternate Director shall be present at the meeting". Article 156 provides that "the questions arising at any meeting of the Board of Directors shall be decided

NSIC (6,00,000 shares have been reserved for allotment to the NSIC which makes its share in the total equity to be 30 per cent) "further meaningful development of programmes for manufacture of sewing machine components throughout the country in the small scale sector."⁵⁰

Similarly, Bajaj Electricals, a company of the Bajaj House, is a trading concern with a sales turnover of nearly Rs.22.0 crores during 1979-80. The company markets goods purchased from other manufacturers, many of whom are small scale units. The Directors of the company informed in the Annual Report for the year 1978-79:

The company has intensified its efforts to cater to the needs of the medium and small scale industries by providing them technical services and by marketing their products... the company has lent services of one of its senior executives to the Central Government, at its own cost, for assisting in marketing products by small scale industries under District Industries Centres Scheme.⁵¹ This assistance still continues to be rendered by your company.

The two small scale units promoted by the ITC Ltd., reported earlier, also illustrate this practice. The company reported that "The Marketing and Exports Division markets non-traditional items such as Fashion Garments, Marine Products, Light Engineering Goods and Carpets with supplies coming from small scale sector operations."⁵² The case of Peico Electronics and Electricals Ltd. (formerly Philips (I) Ltd.) which is marketing hearing aids, an item reserved for the small scale sector, under its brand name, provides an example of a company successfully circumventing the ban on the entry of Large House companies and foreign

by a majority of votes: Provided that such majority shall include the affirmative vote of at least one of the Directors appointed by the Singer Company pursuant to the provisions of Article 117.... In the case of an equality of votes, the Chairman shall have a second or a casting vote...." The Singer Company also holds the right to nominate one of the Directors of ISMACO as its Chairman by virtue of the Article 155 (Cf. Indian Sewing Machine Co. Ltd., Prospectus dated January 2, 1982, pp. 16-17). It follows from the above that no policy decision can be taken in ISMACO without the consent of the Singer company irrespective of the voting strength of other shareholders which includes NSIC's 30 per cent.

50. Apart from ceiling fans, which the company has already started marketing, the NSIC plans to market a number of other products like wooden base and covers for sewing machines, washing machines, electric irons, geysers, pressure cookers, toasters, cooking ranges, ovens, etc. The NSIC feels that "a large potential exists for small scale units to market their products through ISMACO outlets." (Cf. National Small Industries Corpn. Ltd., NSIC: Partner in Progress, September, 1983.

51. Bajaj Electricals Ltd., Annual Report, 1978-79, p.3.

52. ITC Ltd. Report & Accounts, 1982, p. 21.

companies into the reserved items. The reported small scale collaborator is said to be belonging to the Cosme Matias Menezes group of Goa.⁵³ Besides the advantage of 'PHILIPS' brand name, the company has been providing free audiological service and has also launched a big advertisement campaign which a small scale unit, generally, cannot afford. This obviously gives Peico a definite edge over the existing small scale manufacturers of hearing aids and it may probably squeeze out the latter eventually.

Bata India Ltd. also purchases a substantial quantity of leather footwear from the small scale sector.⁵⁴ Similarly, Britannia Industries Ltd. has been marketing bakery products manufactured by small scale units. The company has been pleading for allowing 'normal growth' to the organised sector in the items reserved for the small scale sector. The chairman of the company holds the view that "the needs and interests of both the sectors are identical and deserve equal treatment".⁵⁵ The company welcomed the government's proposal for increasing the registered capacity of a company to the extent it buys and markets same or similar products manufactured in the small scale sector. The company, which has been representing for the recognition of its installed capacities, marketed more than 6,000 tonnes of biscuits manufactured by small scale units during 1981-82.⁵⁶ These represent 13 per cent of sales turnover of the company during that year. Similarly, traded goods account for a substantial portion of the sales of Blue Star Ltd. In 1982-83, their share was 58 per cent (Rs. 34.37 crores out of Rs. 58.99 crores).⁵⁷

53. Cf. Business Standard dated September 20, 1981 and March 14, 1982.

54. The Managing Director of the company disclosed recently that since there is no limit on sales while there is restriction on production, the company would be utilising the services of small scale sector to a larger extent in future. Presently, the company is buying nearly 3 million pairs of leather shoes and 8 million pairs of PVC shoes a year from small units. (Cf. Economic Times(Delhi) dated January 11, 1984 and Business Standard, dated January 10, 1984).

55. Britannia Industries Ltd., Annual Report, 1979-80, p.5.

56. Cf. Britannia Industries Ltd., Annual Report, 1981-82, (Chairman's Statement) p.2.

57. Blue Star Ltd., Annual Report, 1982-83.

Colgate Palmolive (I) Ltd. test marketed synthetic detergents, purchased from outside, valued at Rs.25.79 lakhs in 1980.⁵⁸ This was done with a view to start its own production later. Voltas Ltd., which claims to have extended its activities to the "development, promotion and marketing" of a range of low-cost items manufactured under the company's supervision by a number of small scale producers has put forth an interesting argument against the public distribution system and the cooperatives. It says:

The advantage of our more efficient management is diminished by the higher costs we pay; the wastefulness and ineffectiveness of so many public and cooperative organisations are marked by the advantage of the lower rates of interests they pay.⁵⁹

The trend is self evident. The larger companies would increasingly take up marketing of goods produced in the small scale sector in view of the associated multiple advantages.⁶⁰ This saves them of labour problems, places them in a position to avoid excise duties, enables them to enter and expand in areas which have low priority or are reserved for the small scale sector. All this is done in the name of providing marketing service to the small scale producers!

While the official policy places a considerable reliance on the reservations for the small scale sector, the present review suggests that the actual operation of the policy has had very different implications than what is claimed. The successive revisions of the reserved list have resulted in narrowing down the reserved areas of economic activity for the small scale sector in a number of industries. The revisions also suggest that there has been some role of lobbying in the corridors of power to add or to delete products in the list. It is also noticed that violation of the policy of reservations by FERA and

58. Cf. Colgate Palmolive (I) Ltd., Annual Report, 1980, Schedule 17, p.22.

59. Cf. Voltas Ltd., Annual Report, 1978-79, (Chairman's Speech) p.16.

60. Marketing of the products of small scale sector by the large scale units is indeed prescribed as "The only way out". This is found to be necessary because the small scale entrepreneur operates in remote parts of the country and his knowledge of the tastes of the consumer is limited. He lacks the resources to advertise his products and develop brand image. Further, he has no organised network of sales outlets. These have been the observations of the President of the Federation of Indian Chambers of Commerce and Industry (FICCI). (Cf. The Economic Times (Delhi) dated January 6, 1984.)

MRTPA companies has been quite significant. A variety of practices have been resorted to by the organized big business for this purpose. There are also clear cases of affront to governmental system of regulations. The main cause for this is reported to be the absence of appropriate legal authority. While this may be a correct technical assertion, the fact also remains that these aspects are known for years and no remedial action was indeed initiated by the Government. There are a host of discretionary powers with the state which could be used if there was adequate political and administrative will. The chapter has also brought out the growing trend at sub-contracting by TNCs and Large Industrial Houses. The implications of the trend for the small scale sector need to be understood fully. One has to ask if the policy of reservations, as administered now, can indeed benefit the 'small'? The evidence points to a negative answer.

CHAPTER - V

SUMMARY & CONCLUSIONS

The need for protection of the small scale sector from direct competition posed by large manufacturing units and imports has been recognized for a long time. During the Second Plan, significance of the small scale sector was emphasized in order to ensure that consumer goods sector does not draw upon scarce resources of the society which were needed for fast expansion of the heavy industry sector. While the demand for protection and promotion of the small scale sector was largely from the view point of social justice, the Second Plan strategy introduced additional weight to the plea in favour of the sector by providing a plan rationale and macro-economic logic for the sector. In the later years the sector has acquired its own identity with the emergence of a good number of influential constituents as also the sector having become an easy escape route for a variety of business objectives. The official policies regarding the sector have been undergoing considerable changes and they appear to have been made more under pursuasion or pressure from a few rather than as a consequence of any well worked out plan or a logical framework. There has been considerable degree of irrational action; contradictory policy alterations and measures which could not but defeat the very purpose of the promotional policies for the small scale sector.

This study has examined three aspects of the policy towards small scale sector viz. (i) criteria for a small scale unit, (ii) ownership and control of the corporate units and (iii) reservation of industries for exclusive development in the sector. The review of policy changes and the amendments to the criteria of a small scale unit helps in assessing the degree of vagueness involved in defining the target groups which require support of the state. The study of ownership and control structure reveals if the assistance and support provided by the Government to the small scale sector has served the intended objectives of the policy makers. The section on policy of reservation of industries brings out the limitations and related implications of the policy and problems faced in the process of implementation. The following are some of the observations which need to be underlined:

1. The small scale sector has been treated as an omnibus to achieve a number of divergent objectives. As a result, the programmes and policies for the small scale sector do not have an identifiable population with certain agreed characteristics.
2. The structure of state assistance to the small scale sector has become so complex that to take even a partial advantage of the assistance one has to depend on expert advice. In a situation where an overwhelming number of small scale units are in the unorganised sector, it is only the well informed, organized and urban based entrepreneurs who can mainly avail of the state patronage and facilities.
3. The direct and indirect forms of the state assistance accorded to the small scale sector in India amount to a significant support to the sector. It would have a substantial financial cost to the exchequer, though precise estimates are difficult to make.
4. Each type of assistance and protection measures attracts a different group of entrepreneurs. To a majority of the small entrepreneurs the availability of cheap finance, procurement of raw materials and preferential treatment in purchases by the state are likely to be reasonably attractive. On the other hand, for a comparatively larger unit, exemptions from regulatory provisions may be more attractive. While for new and technically qualified persons a more meaningful form of assistance could be in the market guidance, provision of sheds in the industrial estates and opportunity to share common infrastructural facilities.
5. The criteria for small scale units have been revised, repeatedly. In the process the 'investment' limit has been raised from Rs. 5 lakhs to Rs. 20 lakhs. Also, under the current definition while calculating the size of investment the items to be included have been reduced to only one, namely, plant and machinery. The criterion is linked only to the money value of investment in plant & machinery with no reference to the size of labour force, location of the unit, size of turnover, the nature of production basket, characteristics of the owner, or the organizational form.

6. The official approach that 'original price paid by the owner' should be taken as the basis for deciding the size of investment in plant and machinery has a number of operational problems. This is particularly so in the case of older units, the units which buy second hand equipment from associates and in the case of imported machinery. The approach also does not take note of the genuine provision for depreciation.
7. The optimal size of investment in plant and machinery of an enterprise is determined by the nature of industry, technology employed and location of the unit. Capital-output ratios differ substantially from one industry to another. Thus with the same level of investment in plant and machinery, there can be grossly varying levels of economic operations in the sector. The criteria for small scale units, therefore, need to take into account these factors.
8. The distribution of small scale units in India is a highly skewed one. Very few units are in the higher ranges of investment. Therefore, any upward revisions in the investment limit would be of immediate and direct relevance to larger constituents. The revisions have permitted entry of many bigger units who were not formerly eligible for the state support under the programme. This must have promoted an unequal competition in the sector with adverse affect on the former constituents and smaller units.
9. It appears necessary to enquire into the pattern of assistance sharing in the small scale sector and how the upward revisions in the investment criteria have altered the direction and flow of the benefits.
10. The small scale sector of today is not confined to proprietary and partnership firms. For various reasons joint stock companies have come to occupy an important place in the sector. In numbers the companies may be few but their share in the various forms of state assistance (loans, subsidies etc.) is likely to be a significant one.

11. If one goes by the size of operations and the affluence, a number of companies qualifying for official patronage as small scale units hardly differ from the large scale sector companies.
12. If some of the small scale units grow beyond the permissible limit there should be a mechanism for automatic de-registration. In the absence of a strict enforcement of de-registration many undertakings continue to avail of the privileges meant for the small sector.
13. Even while recognizing the fact that the "small industries development programme has been introduced by the Government for the benefit of a class of people who really deserve and require such assistance", the ownership aspect remained unemphasised in the definition, until 1980. As a result, a number of units belonging to the national monopoly Houses and transnational corporations could directly operate in the small scale sector.
14. According to the current official policy, the subsidiaries of Indian or foreign companies and those that are controlled by other undertakings cannot claim themselves to be constituents of the small scale sector. While there is no difficulty in identifying the subsidiary relationship, the 'control' cannot be easily ascertained. Control over management can be exercised with much less share in equity than required for being a subsidiary. The official policy, however, does not define control. Further, since an overwhelming number of companies in the small scale sector are private limited ones, which are generally characterised by restrictive clauses, one needs to examine and assess the nature of control and the true beneficiaries through a proper probe.
15. Major policy changes announced by the Government may not be followed up by requisite measures to operationalize the changes. For instance, while the change in the definition of a small scale unit incorporating the ownership aspect was announced in 1980, it was surprising to know that it was only in 1983 that instructions were issued to "derecognise those registered small-scale units which are subsidiaries or are controlled or owned by large or medium scale units". How far these decisions get actually implemented can only be known after a fresh evaluation.

16. Another interesting phenomenon observed is that a number of companies though registered under the MRTP Act continue to lay claim to their being part of the small scale sector. These cases have a special significance because they were debarred from taking advantage of the exemption from industrial licensing as small scale units as far back as 1973. The existence of such cases is an indication of the ineffectiveness of the administrative system on the one hand and absence of inter-departmental coordination, on the other.
17. There are no restrictions on large companies in matter of taking over the existing small scale units. We find that many a taken over unit continued to be in the small scale sector even after becoming 'divisions' or 'subsidiaries' of large scale companies. The absence of any restrictions on take over might lead to a situation, where large scale companies could resort to taking over existing small scale units to increase their share in the 'industries reserved for small scale sector' or to enter these areas afresh, thereby defeating the policy objectives.
18. For more than a decade it has been the declared policy of the Government that companies in which more than 40 per cent of the equity was held abroad cannot take advantage of licensing exemption as small scale units. With the enactment of FERA, 1973, all such companies would have diluted the foreign equity in them to 40 per cent. Hence technically speaking, no foreign company would be in the small scale sector. But in reality a small scale company with upto 40 per cent foreign equity may still be under effective foreign control. It is indeed the case with a number of affiliates of transnational corporations operating as small scale units.
19. The nature of relationship between ancillaries and their principals is a complex one. It appears that a number of ancillary units are indeed promoted by persons closely connected with large umbrella units. The contracts for supply of materials and components and other business dealings between ancillary units and the large parent units tend to leave little scope for an ancillary

unit to be operating as an independent small scale unit. There is need for a proper probe into the phenomenon of ancillary development.

20. There appear to be no common technological, production or market characteristics among the groups of items reserved for exclusive development in the small scale sector. The operationalization of the reservation policy has been ridden with adhocism and frequent changes in the list of reserved items without apparent justification.
21. The number of items in the reserved list and the expansion of the list does not necessarily reflect an enlarged area reserved for the small scale sector. To a large extent the longer list of the reserved items is a result of 'spelling out' details of the product groups already reserved.
22. In the recent past a number of items have been dereserved. The reasons for the de-reservations are explained only in statements like "the above list (of reserved items) is being reviewed periodically to ensure that production in the small scale sector is economic and of acceptable quality".
23. The practice of partial de-reservation (through changes in nomenclature) has reduced the area of protection in many cases. The revisions in products like confectionery, FRP products and automobile radiators, suggest the exercise of influence and presence of strong lobbying pressure in the system.
24. Allowing production of reserved items by the large scale manufacturers for captive consumption defeats the very purpose of the reservation policy. Such a policy is bound to affect the small scale units engaged in the manufacture of such items adversely.
25. The reservation policy is pursued through the operation of the industrial licensing system. The inability of the government to implement the licensing system effectively is well known. The major problem in implementing the reservation policy is with respect to the existing large scale/Large House manufacturers of the

reserved items. Under the present policy the capacities of the large sector are supposed to be frozen though there can be exemptions for purposes of exports. Since the reserved areas provide a sheltered market for the existing large scale manufacturers, as no new large scale manufacturer can officially enter the reserved areas and the small scale manufacturers cannot provide any worthwhile competition, it is quite common to observe violations of the capacity norms by the large scale manufacturers in terms of producing far in excess of the authorizations. Not even a single case is reported to have been penalized for the violations. This fact by itself is an indication of the impunity with which monopoly Houses and transnational corporations can operate in the reserved areas.

26. A number of corporate entities claim non-applicability of the licensing provisions for the reserved items. It could be because while the items have been reserved for the small sector the same were not put on the IDRA Schedule. Garment industry provides an example where large House companies have for long been claiming non-applicability of the licensing obligations. Obviously, there can be 'no excess production' in these cases as there is no 'licensed capacity'.
27. A number of companies claim that since their manufacturing undertakings were established prior to the enactment of the IDRA or before its provisions were made applicable to them, the licensing system was not applicable to them. Such companies often engage the Government in prolonged disputes in matters of capacity fixation while continuing to produce goods without adequate authorization. This process is also existing conspicuously for some of the items reserved for the small scale sector. Transnational Corporations like Bata, Colgate and Britannia are the cases in point.
28. While reporting details of the products manufactured it is quite common to find that companies perform this obligation in such a vague manner that no meaningful conclusions about the adherence to the licensing provisions can be drawn by any agency. The practice of multiple products being entered in the licences has added

additional complications. The existing vagueness can only help the process of violations by the large scale sector. The changes in nomenclature that are increasingly taking place now, will only complicate the issue further. The need to fix capacities in precise terms and units, particularly in the case of reserved items, is only too obvious.

29. The export obligations attached to industrial licences are not always complied with. Such obligations are very often imposed in the case of products reserved for the small sector. According to the present policy, the STC is expected to purchase the unexported production of such manufacturers. The STC, however, has not found it possible to take over and export such production. And consequently, the large scale sector is able to enter directly in the home market. This has become another way of defeating the reservation policy.
30. Large Houses can enter the reserved areas by employing a variety of practices. Niky-Tasha gas stoves and cooking ranges, PHILIPS hearing aids and LEO toys illustrate a few methods employed by the large scale sector for entering the reserved areas.
31. The policy of allowing additional industrial capacity to large scale manufacturers of the reserved items, if they undertake to market equal quantities produced by the small scale units, will undoubtedly harm the interests of the small scale units in the long run. The large scale manufacturers may eventually be able to squeeze out the small scale units whose production they may now agree to market under their own brand names.
32. Marketing arrangements by large companies with small scale manufacturers are becoming more and more prominent. While this may solve to some extent the marketing problems of the small units it can also be a means for large units to avoid licensing provisions and excise duties and to avail of a host of other advantages at the cost of the exchequer, the small manufacturers, the consumers and the workers. The implications of this are not being fully grasped by the policy makers. There is an urgent need of a comprehensive review of this practice.

This study indicates the distortions which have crept into the small scale sector programmes during the process of implementation. While there has been a frequent criticism about the registration of bogus small scale units to avail of the various forms of state patronage, the fact that Large Industrial Houses and Transnational Corporations have been, directly and indirectly, operating in the small scale sector is less known and much lesser discussed. Besides providing fiscal concessions and financial accommodation, the membership of the officially recognized small scale sector has helped many a Big Business company to avoid a variety of regulatory obligations. It needs no elaboration that the presence of Big Business companies in the small scale sector is detrimental to the interests of smaller constituents of the sector. The operation of the reservation policy has not proved to be much of an advantage to the small sector. The distortions are significant and only too clear. But quite apart from this there have been a variety of new trends in the Indian Corporate Sector, in general, and the small scale sector, in particular. One such important developments is the fast expanding phenomenon of sub-contracting. The long term implications of these trends are, we are afraid, not being appreciated by the policy makers; and indeed not even by the associations of the small sector.

The need to introduce clarity in the objectives of the small sector programmes is only too obvious. There is also a need to question a large many assumptions on which policy packages for the sector have been evolved. The loopholes and other limitations of the administrative system can, of course, only be taken care of if there was a continuing system for monitoring and coordination of the small scale sector programmes. Once the objective conditions now prevailing in the sector have been understood, the task of evolving alternative strategies would become possible.

APPENDIX

ILLUSTRATIVE LIST OF COMPANIES WITH SMALL SCALE UNITS

-- PAST AND PRESENT

This appendix contains a list of selected companies having at least one small scale unit/division in the small scale sector which came to light during the study. The source of information (except the Directory of Machinery Supplied on Hire Purchase, 1976 which contains a cumulative list of units availed of the scheme) indicates the period when the company's unit was in the small scale sector. The House association is based on the classification of the Industrial Licensing Policy Inquiry Committee (ILPIC, reference year 1966) and the registrations under the Monopolies and Restrictive Trade Practices Act, 1969. In a few cases the classification is based on the data available with the Corporate Information System of the Corporate Studies Group. Foreign Association is based on the list of foreign branches and subsidiaries contained in the Appendices to the ILPIC (reference year 1966) and initial registrations under the Foreign Exchange Regulation Act, 1973.

Details regarding the sources of information and the abbreviations used are as follows:

Col. 1: Name of the Company

Sub. = Subsidiary

Col. 2: House/Foreign Association

A = Foreign Branch (ILPIC);

B = Foreign Subsidiary (ILPIC);

C = Registration under FERA;

D = Both A and C;

E = Both B and C; and

FE = Foreign equity.

* = ILPIC classified the company under the House;

= The company was classified by ILPIC as belonging to the House and it later got itself registered under the MRTP Act;

\$ = The company is registered under the MRTP Act; and

@ = Information available with the Corporate Information System (CIS) indicates such association.

Col.3: Source(s) of Information

- I = Director of Industries, Maharashtra, Commerical Directory of Industries in Maharashtra, Part I: Small Scale Industrial Units Registered under the Factories Act, 1948 in Maharashtra State, 1962.
- II = Director of Industries, Maharashtra, Commercial Directory of Industries, Maharashtra, Part III: Small Scale Industrial Units (Excepting those Registered under the Factories Act) in Maharashtra State, 1963.
- III = Director of Industries, Gujarat, Commerical Directory of Small Scale Industrial Units Registered with the Directorate of Industries, Ahmedabad, 1963.
- IV = Federation of Associations of Small Industries of India, FASII, All India Directory and Hand Book of Small Industries, 1966.
- V = Government of Madras, Director of Industries and Commerce, Directory of Small Scale Industrial Units in Madras State, 1965.
- VI = Government of Tamilnadu, Director of Industries and Commerce, Directory of Small Scale Industrial Units in Tamilnadu: Supplement to the Second Edition (From 1-1-1964 to 31-12-1967), 1969.
- VII = Faridabad Industries Association, Directory and Who is Who of Faridabad Industries, 1973.
- VIII = National Small Industries Corpn. Ltd., Directory of Machinery Supplied on Hire Purchase, 1976.
- IX = National Small Industries Corpn. Ltd., Directory of Small Units Enlisted for Government Purchases, 1976.
- X = List of Small Scale Manufacturer - Members of Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council as on 31-3-1983 except the companies at Sl. Nos. 1, 44, 82, 110, 134, 192, 223, and 247 which are members of the Council at an earlier date. (Cf. The list of members of the Council published in the Thapar's Indian Industrial Directory & Export & Import Directory of the world (Tenth Edition), 1980-81.
- XI = National Small Industries Corpn. Ltd., Directory of Small Units Enlisted (Under Single Point Registration Scheme) for Government Purchases, 1980.
- XII = National Small Industries Corporation Ltd., Directory of Small Units Enlisted for Government Purchases, 1982. This also covers those registered units which could not be included in the Directory either due to late receipt of information or the units were register was done after the publication of the Directory.
- XIII = Annual Reports of the respective companies or their parent companies.
- XIV = Prospectuses of the respective companies.

Col. 4: Remarks

- AR = Annual Report
- LC = Licensed Capacity
- M RTP = Registration under the M RTP Act, 1969
- Auditor's Report = Extract from the Auditor's Report

APPENDIX

Illustrative List of Companies with Small Scale Units - Past and Present

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
1.	A.L.A. Chemicals Ltd.	C	X	
2.	Adequate Weighers (I) Ltd.	G.Arbutnot*	IV, IX	IC: "Not Applicable" (AR 1973, p.14)
3.	Adross P. Ltd.	K.P. Goenka*	IV	Auditor's Report: "Being a Company which is a small scale unit, the provision of Section 58A of Companies Act and the Directives of Reserve Bank of India as to the acceptance of deposit is not applicable" (AR 1977)
4.	Adtapes Ltd.	26%FE	IX, XII, XIII	IC: "Not applicable". Auditor's Report: "...It was explained to us as the Company has not accepted the deposit and being a small scale industrial unit the company is not required to file the return of deposit u/s 58-A of the Companies Act 1956" (AR 1982)
5.	Afco Ltd. (Sub. of Bombay Burmah Tdg. Corp)	Wallace*	XI, XII	IC: "Not Applicable" (AR 1982, p.5-13).
6.	Agfa Geveart India Ltd.	Ghia@	X	IC: "(Provisions regarding licensed and installed capacity are not applicable)". (AR 1982, p.19)
7.	Ahmedabad Flexible Tube Mfg. Co. P. Ltd.	Mangaldas Parekh*	IV, VIII	
8.	Albert David Ltd.	Birla*	IV	
9.	Alco Chemical Inds. P. Ltd.	Birla*	III, IX	
10.	Alfred Berg & Co. (I) P. Ltd.	V. Ramakrishana*	IX, X, XII	
11.	Ankleshwar Ion Exchangers & Chemicals Ltd. (Sub. of Ion Exchange (I) Ltd.)	Parent was a FERA Co.	XIII	IC: "Not applicable" since registered as an ancillary Small Scale unit vide registration certificate No.04/04/00003/Prov/SSA dated 2.5.1979" (AR 1980, p.38)
12.	Arvind Engg. Works Ltd. (Sub. of Chambra Peak Estates Ltd)	Peirce Leslie*	VIII, IX	IC: "Not applicable" (AR 1981, p.xix).
13.	Aryodaya Mining & Mfg. Co. Ltd.	Mangaldas Parekh*	IV	(casting unit).

Contd...

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
14.	Ascu Hickson Ltd.	C	XI, X, XII	LC: "Licence is not required; as such licensed capacity or installed capacity is not shown" (AR 1980). Wood Preservers Ltd., a small scale unit, ceased to be a subsidiary of the company during 1979. IC: "Not Applicable" (AR 1979, p.26).
15.	Aspirnal & Co. (Travancore) Ltd.	B	IX	IC: "Not Applicable" (AR 1979, p.26).
16.	Autoliners (Madras) P.Ltd.	Simpson*	IV, V	
17.	Automobile Rubber Products P.Ltd.	Chidambarams	VI	MRTP: Registered since 23.4.75.
18.	Avery Co. of (I) Ltd.	E	IV	
19.	Ayurved Sexashram P. Ltd.	Bajaj#	IV	IC: "There is no licensed capacity for production (AR 1981-82). MRTP: Registered since 14.6.72.
20.	Bakul Udyog P. Ltd.	S.P. Jain#	II, IV, VIII	MRTP: Registered since 9.7.74.
21.	Bangalore Cables P. Ltd.		XII	One of the Directors of the company was on the Boards of 4 other companies and was a partner in a firm. (Source: Prospectus of Kerala Acids & Chemicals Ltd.)
22.	Bangalore Pesticides Ltd.	Kanoria RK@	X, XII, XIII	IC: "Not Applicable" (AR 1981). Auditor's Report: "Since the Company is a Small Scale Industrial Unit, ... provisions of Section 58A of the Companies Act, 1956 and rules framed thereunder are not applicable to the Company". The Company invested in Putinbaree Tea Association Ltd. (subsidiary of Kanoria & Sons Ltd.), McLeod & Co. Ltd. and Anstar Investments P. Ltd.
23.	Bayer Agrochem Ltd.	E	I	Now Bayer (I) Ltd.
24.	Beclawat (I) Ltd.	J.V. Patel@-C	I, XI, XII, XIII	IC: "Not applicable as the company is registered as a Small Scale Unit as per certificate No.SSI/NAB/B/49/245/ dt.3.5.67 issued by the Director of Industries, Gujarat State", (AR 1977)
25.	Belrex (I) Ltd.		XIII	IC: "Not applicable". "Particulars regarding manufacturing of chokes (as a small scale industrial unit)" (AR 1977). The company has a subsidiary by name Adysystems Romad Ltd. Besides, it holds substantial amount of shares (18.8% equity and 50% differed shares) in Bengal Lamp Works Ltd.

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
26.	Beta Pickers Co. Ltd.	Soorajmull Nagarmull*	IV	
27.	Bharat Bobbins Ltd.	Tata*	III, IV	
28.	Bharat Radiators P. Ltd.	Walchand#	I, VIII	MKT: Registered since 13.8.'74.
29.	Bhoruka Engg. Inds. Ltd.	Bhoruka@	XII	LC: "Not applicable" (AR 1981).
30.	Bhutoria Engg. Works Ltd.	Bhutoria@	XII	LC: "Not specified" (AR 1980). Bhutoria Valve Udyog Ltd. is a company under the same management. The company has shares also in Annapurna Savings & Finance Co P Ltd.
31.	Bhutoria Valve Udyog Ltd.	Bhutoria@	XII	(Unit: Bhutoria Rolling Mills)
32.	Birla Cotton Spg. & Wvg. Mills	Birla*	IV	
33.	Blue Mount Ceramics P. Ltd. (Sub. of General Electric Co. (I))	GEC\$	V, VI	IC: "-" (AR 1975-76, p.48). MKTP: Registered w.e.f. 24.10.'70. De-registered during 1977.
34.	Bombay Foods P. Ltd.	Khatau#	IV, VIII	MKTP: Registered since 12.11.'70.
35.	Bombay Net Mfg. Co. Ltd.	Thackersey#	I, IV	MKTP: Registered since 7.1.'77.
36.	Brammer V. Link Belting (I) P.Ltd. 40% FE		II, IV	
37.	Britannia Biscuit Co. Ltd.	E	IV	LC: (Bread, cake and rusk) "-" (AR 1981-82, p.18).
38.	British Drug House (I) P. Ltd.	Glaxo@-B	I	
39.	Brushware Ltd. (Sub. of British India Corpn Ltd)	Soorajmull Nagarmull#	IV	MKTP: Registered since 27.10.'70
40.	Burlap Commercial P. Ltd.	J.K. Singhania*	XI, XII	
41.	Business Combine P. Ltd.	S.P. Jain*	I, VIII	
42.	Cambridge Instruments (I) Ltd.	C	IV	LC: "Not applicable" (AR 1972, p.11).
43.	Candy Filters (I) Ltd.	Cannon Dunkerly@	XII	LC: "Not applicable". The company has three subsidiaries, 1981) namely, Casablancas Cannon Engg. Ltd., Pater-son Engg. Co. (I) Ltd. and Stressed Concrete Constru-

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
44.	Caming Mitra Phoenix Ltd.	33.3% PE	IX, X	ctions Ltd. The company was earlier a wholly owned subsidiary of Paterson Candy Indl. Ltd., London. In 1972, it became a subsidiary of Cannon Dunkerly & Co. Ltd. It is no longer its subsidiary.
45.	Capsulation Service Ltd.	Rallis*	I	IC (The piece gelatine capsules): "Not applicable" (AR 1981).
46.	Carter Wallace Ltd.	Cosme Matias@ —C	IX, X, XIII	IC: "Not applicable as it is a small scale industry" (AR 1979).
47.	Cartybon P. Ltd. (Sub. of Chowgule & Co. P. Ltd.)	Chowgule\$	IX, XI, XII XIII	"The Company is registered with the Directorate of Industries Goa...as a 'Small Scale Unit'. However, the company made an application...for 'Carry on Business Licence'...in response to which the Central Government...clarified that based on the fact that the labour strength employed by the Company was less than 50 the C.O.B. Industrial Licence under the I.D.A was not required." (AR 1982). MRTP: Registered since 28.10.'70.
48.	Castall Corpn.	Birla*	VIII	
49.	Castle Industries Ltd. (sub. of Tata-Scob Dealers Calcutta Ltd.)		VIII, IX	
50.	Castrol Ltd.	Oil India\$—D	V	IC: "The requirements as to the disclosure of licensed capacity is not applicable since the company is advised that its activities are not covered by the Industries (Development & Regulation) Act, 1951" (AR 1981 of Indrol Lubricants and Specialites Ltd. which has taken over the business in India of Castrol Ltd.). MRTP: Registered since 2.11.'70.
51.	Central Paints Ltd.		VIII, XI, XII, XIII	Auditor's Report: "The company holds deposits from the Public and being a small Scale Industries Unit, the provision of section 58A are not applicable". (AR 1980-81, p.7). Savlar Paints Ltd is a subsidiary of the company. Besides, the company has shares in Maharashtra.

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
52.	Chanda Paints (Madras) P. Ltd. (Sub. of Goodless Nerolac Paints)	Tata\$	IV, V, VI, VII, IX	tra Mineral Corp. Ltd. Another unit of the company Central Insecticides & Fertilisers is also registered with the NSIC for Government purchase. IC: "Not applicable" (AR 1981, p.49). MRTP: registered since 31.12.'81. The company became a subsidiary of Goodless Nerolac Paints Ltd., during 1980.
53.	Chawla Chemical Inds. P. Ltd. (Sub. of Bombay Burmah Tdg. Corp.)	Wallace*	IV	IC: "No licence is required for producing the above items" (AR 1982, p.5-23)
54.	Chefaro Pharmaceuticals Ltd. (Sub. of Organon (I) Ltd.)	Parent was a FERA Co.	XIII	IC: "As the unit is small scale unit no licence is required" (AR 1982, p.14).
55.	Chelpark Co. Ltd.	C	IV, V	IC: "Not applicable" (AR 1978, Schedule 3).
56.	Chembra Peak Estates Ltd.	Peirce Leslie *	IV	(Chembra peak estate factory).
57.	Chemoleums P. Ltd.		XII	T.T. Vasu, of the TTK House was a Director of this company in 1982. (See the Prospectus of Lorcom Protectives) Ltd. MRTP: Registered since 24.10.'70.
58.	Chowgule & Co. (Hind) P. Ltd.	Chowgule\$	II, IV	Chairman of Himalaya Rubber Products Ltd. was also Chairman of the company (Source: Prospectus of Himalaya Rubber Products Ltd of August 1978)
59.	Clinax Synthetics P. Ltd.		XII	IC: "Not Applicable" (AR 1979, p.16) MRTP: Registered since 2.7.'75.
60.	Coates of India Ltd.	Bird Hei'gers# —E	I	Shulton USA, a subsidiary of American Cyanamid Inc. holds 40% of the equity of the company. MRTP: Registered since 12.11.'70.
61.	Colfax Laboratories (I) Ltd.	Cosme Matias@ —FE 40%	IX, X	Prospectus (September 1981) says: "The company proposes to establish a Small Scale Industry for the manufacture of special types of Electrical Wires and Cables... The Promoters of the Company have signed Technical collaboration agreement with the leading cable Co. of India - The National Insulated Cable Co. of India, ... Nicco is further prepared to place at
62.	Coronandel Prodorite P. Ltd.	Karugappa Chettian#	V	Contd...
63.	Crescent Cables Ltd.		XIV	

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
				the disposal of the company facilities at Nicco's works by furnishing the necessary expert knowledge of R&D facilities regarding manufacture and testing of the object of licence... The company is entitled to use Nicco's trade mark... Before the commencement of the commercial production, the marketing agreement with Nicco will be signed so that All India Marketing network of Nicco will be available for the sales of the company's products. One of the contracts available for public inspection: "Copy of order: given by Universal Wires & Industries (A promoter's concern) to the National Small Industries Corporation Limited... order confirmations dated 15th/16th September 1980 by N.S.I.C. Limited..."
64.	Dalmia Ceramic Inds. Ltd.	Dalmia@	XI, XII	IC (Spumpipe, Red oxide): "Not Applicable" (AR 1980-8)
65.	Deccan Ayurvedashram Pharmacy Ltd. Baja.j# (Sub. of Ayurved Sevashram Ltd.)		IX	IC: "There is no licensed capacity for production" (AR 1981-82) MTP: Registered since 10.7.72.
66.	Dampo Engeg. Works P. Ltd. (Sub. of V.S. Dampo & Co. P. Ltd.)	V.S. Dampo\$	XIII	IC: "Not Applicable, since registered as a Small Scale Unit". (AR 1973, p.71 and also AR 1979). MTP: Registered since 28.6.74.
67.	Dampo Sons P. Ltd. (Sub. of V.S. Dampo Sons. P. Ltd.)	V.S. Dampo\$	XIII	IC: (Paints, enamels): "Not applicable since registered as small scale unit" (AR 1973, p.60). Auditors Report: "The Company has taken loan on current account from V.S. Dampo & Co. P. Ltd., a company under the same management, which is exempt under the Rules, for which we are informed that no returns under Section 58A of the Companies Act, 1956 and Rules framed thereunder, have been filed as the company is advised that they are exempted deposits and the provisions of section 58A read with rules framed thereunder are not applicable." (AR 1981) MTP: Registered since 28.6.74. The Goa Paints & Allied Chemicals division of the company has been registered with the NSIC since February 1983.
68.	Dental Products of (I) Ltd. (Sub. of Bombay Burmah Tdg. Corp. Ltd.)	Wallace*	XIII	IC: "The company is a small scale unit registered with the Director of Industries, Bombay and therefore, its manufacturing capacity has not been licensed..." (AR 1982, p.5-46).

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
69.	Devon Plastics Ltd. (Sub. of Devon Tea & Produce Co.)	Mammen Mappillai @	VIII, XII	LC: "Not Applicable" (AR 1978-79, p.15).
70.	Doorvani Cables P Ltd		IX, XII	Working Director and Jt. Managing Director of Delton Cables Ltd are Managing Director and Director respectively of the Company (See prospectus of Delton Cables Ltd., December 1981).
71.	Drossbach Maneklal P Ltd.	C	XII	
72.	Drayton Greaves P. Ltd. (Sub. of Greaves Cotton & Co. Ltd)	Thapar#—C	I	LC: "Not mentioned in the Government approval" (AR 1980-81, p.72). MEIP: Registered since 9.9.71
73.	Dyer Meakin Breweries Ltd.	Mohan Meakin	IV	Mr Mohan Meakins Ltd. MEIP: Registered since 12.11.70.
74.	E.Hill & Co. P. Ltd.	E	IV	
75.	E.M.C. Works Ltd.	Electrica Mfg. Co.@	IX	
76.	E.P. Allam of (I) Ltd.	E	XIII	LC: "The Company is registered as a small scale industrial unit. The certificate of registration does not specify any capacity" (AR 1975).
77.	East India Carpet Co. Ltd. (Sub. of Oriental Carpet Mfr. (I) Ltd.)	Birla@	XIII	LC: "Licensing not applicable to this industry" (AR 1982, p.34). Auditors Report: "The provision of section 58A of the Companies Act, 1956 is not applicable to the company since the Company is a small scale industrial unit". (AR 1983, p.25).
78.	East India Distilleries & Sugar Factories Ltd.	Parry#—D	IV	Mr EID Parry Ltd. MEIP: Registered since 31.8.76.
79.	Eastern Assam Tea Co. Ltd.	C	IV	(Group Workshop)
80.	Eastern Scales P. Ltd.	C	IV	
81.	Electronics & Business Machines Ltd. (Sub. of South India Corpn. (Agencies) Ltd.)	Chidambaram\$	IX, XI, XII	LC: "No Licence necessary" (AR 1981-82). MEIP: Registered since 19.4.75.
82.	Eli Lilly India	D	IX, X	

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
83.	English Cycle Motor Import P Ltd	Enfiled @	VIII	LC: "Not applicable as the company is registered as Small Scale Industrial Unit" (AR 1978).
84.	Ericsson India Ltd.	C	IX, XIII	New Escorts Ltd.
85.	Escorts Agents Ltd.	Escorts\$	IV	LC: "No Licence is required" (AR 1977, p. 47) The company ceased to be a subsidiary of Essar Bulk Carriers Ltd. during 1978.
86.	Essar Glass Works P Ltd	Ruia @	XII	LC: "Not Applicable" (AR 1981)
87.	Ethnor Ltd. (Sub. of Johnson & Johnson Ltd)	Parent is a FERA Co.	X	LC: "Does not apply. As a small scale industry, no specific licensing of capacity is involved under the Industrial (Development & Regulation) Act, 1951" (AR 1980, p. 78) Formerly Eutectic Welding Alloys of (I) Ltd., MKTP: Registered since 31.10.'70.
88.	Ewac Alloys Ltd. (Sub. of Larsen & Toubro Ltd.)	L & T\$—C	XIII	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
89.	Famatex India P. Ltd.	C	I	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
90.	Fancy Net P. Ltd.	Thackersey#	I	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
91.	Farmak Ltd. (Sub. of Aphali Pharmaceuticals Ltd.)	C	XIII	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
92.	Fenner Woodroffe & Co. Ltd. (Sub. of Gordon Woodroffe (Madras))	C	V, XIII	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
93.	Fibrex P. Ltd.	Mangaldas Parekh*	III, IV	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
94.	Filters & Filteraids Ltd.	Golden Tobacco\$	XIII	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.
95.	Flash Laboratories P. Ltd. (Sub. of Parle Products P. Ltd.)	Parle@	X, XIII	LC: "Not applicable (it is a small scale industry)": (AR 1981). Parent was also a small scale company.

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
96.	Fordham Pressing (I) P. Ltd.	C	I, IV, VIII	
97.	Franco-Indian Pharmaceuticals Ltd.	C	X, XIII	LC: "Not applicable". Auditors Report: "The company has been advised that as it is registered with the Directorate of Small Scale Industries, Maharashtra State, it is exempt from the provisions of Section 58(A) of the Companies Act, 1956 under Notification No. G.S.R.30(E) dated 1st February, 1977".
98.	Fulford (I) Ltd.	E	X, XIV	LC: "The Industrial (Development & Regulation) Act, 1951 is not applicable to the company and hence licensed capacities are not applicable." (AR 1981, p. 15)
99.	Ganges Printing Ink Factory Ltd.	R.K. Agarwala*	V	LC: "Not applicable" (AR 1973).
100.	Gannon Electrolytics Ltd. (Sub. of M.R.Holdings Ltd.)	Gannon Dunkerly @	II, XIII	LC: "Registered as a SSI with the Director of Industries, Maharashtra, capacity not allocated." (AR 1982, p. 11) The company ceased to be a subsidiary of Gannon Dunkerly & Co Ltd during 1979. It is currently a subsidiary of M.R. Holdings Ltd. Auditor's Report: "The company has taken unsecured loans in the nature of deposits from parties but the directives issued by the Reserve Bank of India and the provisions of the section 58A of the Companies Act 1956, and rules framed thereunder, wherever applicable have not been complied with as the company contends that being a small scale industry they are exempted from the purview of section 58A of the Companies Act 1956 and the rules framed thereunder in view of the Central Government Notification dated 23rd July 1981." (AR 1982)
101.	Gannon Norton Metal & Diamond Dies Ltd.	Gannon Dunkerly @-C	XII	
102.	Garment Enterprises Ltd. (Sub. of Gold Mohur Mills Ltd.)	Finlay	XIII	LC: "The company is a registered Small Scale Industry Director of Industries, Govt. of Maharashtra" (AR 1979-80, p.46).
103.	Gaumont Kalee Ltd.	Tata*-B	I	
104.	Generators (I) Ltd. (Sub. of Eicher Goodearth Ltd.)	Eicher @	XIII	LC: "Not applicable being a small scale industry". (AR 1980).

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
105.	Cetz Bros. & Co.	D	IV	IC: "Not applicable" (AR 1980). Auditors Report: "... The provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the company... as it is a Small Scale Industrial Unit". MRTP: Registered since 23.7.'75.
106.	Glue Products Ltd.	Shaw Wallace#	XIII	MRTP: Registered since 27.10.'70.
107.	Coa Pesticides P. Ltd.	Chowgule\$	IV, X	MRTP: Registered since 26.10.'70.
108.	Godrej & Boyce Mfg. Co.	Godrej#	IV	(Pidis) MRTP: Registered since 10.10.'75.
109.	Golden Tobacco Co. P. Ltd.	Golden Tobacco\$	IV	IC: (Ceramic Unit): "Not applicable as the business purchased from vendors is Registered as a Small Scale Unit by the Director of Industries Gujarat State" (AR 1979, p. 30)
110.	Grove Products (Far East) Ltd.	C	X	(Cotton Fabrics). MRTP: Registered since 24.10.'70.
111.	Gujarat Machinery Manufacturers Ltd.	J.V. Patel @	X, II	IC: "Not applicable" (AR 1980-81, p.30). MRTP: Registered since 7.5.'79.
112.	Gwalior Rayon Silk Mfg. Co	Birla#	IV	IC: "Not applicable as this is a Small Scale Industry" (AR 1976). This company had a subsidiary by name Leatly General Engg. Ltd.
113.	Haryana Containers P. Ltd. (Sub. of Ambalal Sarabhai Enterprises Ltd.)	Sarabhai\$	VII	IC: "Industrial Licence is not required for the items produced" (AR 1979, p. 24)
114.	Heatley & Gresham (I) Ltd.	D	XIII	IC: "The company is not covered by the Industries development and regulation Act and hence the information not applicable." (AR 1978, p. 11) Auditors report: "The Company has accepted Fixed Deposits from public. The provision of section 58A of the Companies Act, 1956 is not applicable to the company." Contd...
115.	Heilgers Ltd	Bird-Heilgers @	XII	
116.	Hein Lehmann (I) Ltd.	C	VII	
117.	Hind Kitabs Ltd.	J.V. Patel @	XIII	

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
118.	Hindustan Construction Co. Ltd.	Walchand#	I	Act, 1956, and the Rules framed thereunder are not applicable as per notification dated 1st February, 1977 issued by the Central Government", (p. 5).
119.	Hindustan Insulations P Ltd		VIII, IX	(Tyre unit). MRTP: Registered since 11.11.'70. Chairman & Managing Director, Jt. Managing Director and Working Directors of Delton Cables Ltd were Directors of this company (See prospectus of Delton Cables Ltd, December 1981).
120.	Hindustan Klockner Switchgear Ltd.	C	IV, XII	IC: "Licensed capacity not given as it is inapplicable to this company" (AR 1980, p.6).
121.	Hooghly Ink Co. Ltd.	D	V	IC: "No industrial licence is required under the Industries (Development & Regulation) Act, 1951 for manufacture of printing ink" (AR 1975).
122.	Hoyle's Paint Ltd.	J.K. Singhania#	XIII	IC: "The licensed capacity is as per return filed with the Directorate of Cottage and Small Scale Industries, West Bengal" (AR 1979). MRTP: Registered since 1.4.'71.
123.	Hydraulics P Ltd	Standard Motor @	V, VIII	
124.	I.A. & I.C. P. Ltd.	C	IV, X	
125.	Indequip Chendyes Ltd. (Sub. of Indequip Ltd.)	Indequip@	XIII	IC: "Not applicable" (AR 1976). The auditors of the company reported that the company was claiming non-applicability of Section 58A of the Companies Act, 1956, and the rules framed thereunder as it was a small scale industrial unit.
126.	India Paint Colour & Varnish Co. Ltd.	Bangur#	XIII	IC: "The licensed capacity is as per the return filed with the Directorate of Cottage and Small Scale Industries, West Bengal..." (AR 1981, p.13). MRTP: Registered since 19.10.'70.
127.	India Thermit Corpn. Ltd. (Formerly sub. of Gwalior Thermit Corpn. Ltd.)	26% Foreign Equity	XIII	Auditors Report: "The company has accepted deposits from the public. It is stated by the company that as the loans are within the prescribed limit and the company is also registered with Directorate of Small Scale Industries, U.P., as such, the provisions of Contd...

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
				Section 58-A of the Companies Act, 1956 are not attracted" (AR 1981, p.23). Parent company was later merged with this.
128.	India Transformers Ltd. (Sub. of General Electric Co. (I))	G.E.C.s	IV, IX	MRTP: Registered since 28.10.'70.
129.	Indian Cardboard Inds. Ltd.	Macneill & Barry*	IV	IC: "Not Applicable" (AR 1980).
130.	Indian Humpipe Co. Ltd.	Walchand#	I, III, IV V, VI, IX	IC (concrete products): "Applied for R.C.C. pipes upto 1000 mm. In remaining cases not applicable" (AR 1979, p.22). MRTP: Registered since 11.11.70.
131.	Indian Link Chain Mfrs. Ltd.	Birla*	IV	IC: "Not applicable since registered as a small scale industry...however, in view of the Govt. Notification No. S.O/98(E)HRA/293/731 dated 16th Feb. 1973, the company cannot continue as a small scale industry and has applied to the Licensing authorities for a COB Licence. Their clearance is awaited" (AR 1979, p.5-15). MRTP: Registered since 26.10.'70.
132.	Indian National Diesel Co. Ltd. (Sub. of Mahindra & Mahindra Ltd.)	Mahindra#	XIII	MRTP: Registered since 27.4.'72.
133.	Indian Plastics Ltd.	Birla#	IV	
134.	Indian Schering Ltd.	E	I, X	
135.	Indian Splicing (Mechanical) Accessories Ltd.	Jhavar S--C	XIII	IC: "Various quantities, sizes and specifications as registered with Director of Industries, Government of Bihar" (AR 1979, p.17). MRTP: Registered since 27.7.79.
136.	Industrial & Allied Sales P Ltd (Sub of Meghdoot Enterprises P Ltd)	Shri Ram @	XII	Tobu Enterprises P Ltd., was earlier a subsidiary of this company.
137.	Indian Standard Metal Co. Ltd. (Sub. of Investment Corp. of India)	Tata*	V	IC: (for Madras) "Not applicable" (AR 1979-80, p.53).
138.	Industrial Air Techniques Ltd.	IAEC @	XIII	IC: "NOT APPLICABLE" (AR 1981, p. 21) Auditors Report: "In the opinion of the Company, it is exempted from the provisions of the Companies (Acceptance of Deposits) Rules, 1975". (p. 6)

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
139.	Industrial Factors Ltd. (Sub. of Poysha Indl. Co. Ltd. till March 1975)	Kapadia HNC	XIII	LC: "Licensed capacity is not applicable since the manufacturing division of the Company is registered as a small scale industry Registration No. MRP/CB/1-3 ... (AR 1981). Poysha Indl. Co Ltd. held 819 shares out of 2100 shares of the company in 1981.
140.	Iron & Metal Traders P Ltd	36% FE	XII	
141.	J.K. Helen Curtis Ltd. (Sub. of Raymond Woollen Mills Ltd.)	J.K. Singhania# —C	X, XIII	LC: "The company is registered as a small scale industrial unit... The company's application for OOI Licence under Industries (Development & Regulation) Act, 1951 is pending before the concerned authorities" (AR 1981, p. S-12). MRTP: Registered since 12.11.'70.
142.	Jayaram Mills Ltd.	Madras Cement\$	IV	(Cotton fabrics). MRTP: Registered since 21.11.'75.
143.	Jyoti Electric Motors Ltd.	Amin#	XIII	LC: "The Company has applied for C.O.B. Licences with respect to manufacture of Electric Motors and Power Driven Pumps in as much as the licensing provisions were not applicable to the company earlier in view of it being a small scale industry and a non-MRTP Company" (AR 1981-82, p.19).
144.	K.C.A. Ltd. (Sub. of Anar Dye Chem Ltd)	Doshie @	IX	MRTP: Registered since 20.10.'70.
145.	Kamani Metallic Oxide P. Ltd.	Kamani#	I	
146.	Karnataka Coir Products Ltd. (Sub. of Maharashtra Apex Corpn.)	Pai@	IX	LC: "Industries licences are exempted to the companies under Industries (Development & Regulation) Act 1951" (AR 1979).
147.	Kay Foam Ltd		XII	The company is a partner in Janata Foam Agency, Bombay the other partners being Lura Foam Inds. P Ltd., Goa Foam Ltd and Nu Foam Industries.
148.	Kaycee Inds. Ltd.	Bajaj*	I, IX	
149.	Khandelwal Mfg. Corpn. P Ltd	Khandelwal @	VIII	
150.	Kilburn & Co. P. Ltd.	Macneill & Barry*	I	

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
151.	Kinetics Technology (I) Ltd.	26% FE	XII, XIII	LC: "Not applicable since the Company's factory is registered as a Small Scale Industrial Unit" (AR 1980-81, p.29).
152.	Kiran X-Ray Screens Ltd. (Sub. of D.M. Chia Invs. P. Ltd.)	Chia@	XIII	LC: "This being a Small Scale Unit, no manufacturing licence is required" (AR 1980-81, p.16).
153.	Kirloskar Electrodyne P Ltd		XII	C..J. Kirloskar, Vice-chairman & Managing Director of Kirloskar Brothers Ltd. is a Director of the Company (See Prospectus of Kirloskar Brothers Ltd., July 1981)
154.	Kirloskar Filter P Ltd		XI, XII	(See Prospectus of Kirloskar Engines and Alternators - one of the items registered for government purchases.
155.	Kirloskar Engg. P Ltd		XII	C..J. Kirloskar, Vice-chairman & Managing Director of Kirloskar Brothers Ltd. is a Director of the Company (See Prospectus of Kirloskar Brothers Ltd., July 1981).
156.	Knit Foulds Ltd.	C	XIII	Assembly of Kirloskar Engines and Alternators - one of the items registered for government purchases.
157.	Kumardhubi Fireclay & Silica Works Ltd.	Bird Heilgers#	IV	LC: "Not applicable" (AR 1977). Auditors Report: "The provision of section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable to the company in view of the Notification No. GST 30(E) dated 1-2-1977 issued by the Company Law Board..."
158.	Lakadi Works P. Ltd.	Kirloskar#	I	MRTP: Registered since 12.11.'70.
159.	Lakme Ltd.	Tata#	I	MRTP: Registered since 6.12.'73.
160.	Lakshmi Fasteners P. Ltd.	TNS*	V, VIII	It obtained Licence in 1971. MRTP: Registered since 2.3.'73.
161.	Laxmi Construction & Tdg. Co P Ltd.	Khatau #	VIII	MRTP: Registered since 12.11.'70.
162.	Leatherite Inds. P Ltd		VIII, XIII	LC: (PVC Sheeting, PVC Leather, Cloth, Plastic Coated paper: "Not Applicable" (AR 1980-81, p. 43). "Secured: From National Small Scale Industries Corpn. Ltd., Contd...

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
163.	Leukoplast (I) P. Ltd.	Cosme Matias Menezes@	IX, XI, XII	secured by Hire-Purchase of "Dornomat Coating Machine" and personal guarantee of two Directors, two other shareholders and two other persons (Hire-Purchase agreement is pending execution by N.S.I.C. Ltd.)" (AR 1973, p. 34)
164.	Luster Ceramics P Ltd		XII	
165.	M.M. Rubber Co Ltd.	Mammen Mappillai @	VIII, IX, XI, XII	A Director of Jyoti Ltd is a Director of the Company (See Prospectus of Jyoti Ltd of Sep. 1981)
166.	Madhu Pharma Chem.P. Ltd.			LC (Latex Foam Rubber Products): "Not Applicable" (AR 1980-81, p. 15)
167.	Madras Enamel Works Ltd		XII	The Prospectus of Madhu Textiles Ahmedabad Ltd (October 1982) informs that the promotor of the company has also established three small scale units in Ahmedabad for the manufacture of Dyes & chemicals viz. Madhu Pharma Chem. F Ltd., Madhu Chem Industries and Madhu Organics.
168.	Madras Motors P. Ltd.	Enfield@	VI, VIII	Three of the Directors of this company are Directors of Lakshmi Porcelain Ltd. (See Prospectus of Lakshmi Porcelain Ltd.)
169.	Mahabir Export & Import Co P Ltd.	Singer	VIII	
170.	Mahesh Agricultural Implements & Steel Forgings Ltd.	Hariganga @	XIV	Prospectus of the company (December 1981) states: "The company is registered as a small scale industrial unit with the Maharashtra State Directorate of Industries,.." The Directors of the company hold direct shares in nine companies in all, three of these (Hariyana Metal and Re-Rollings, Mills Ltd., Jalgaon Re-rolling Inds. Ltd. and Prabhu Steel Industries Ltd being small scale units.
171.	Malwa Sugar Mills Co. Ltd.	Thapar#	IV	MKT: Registered since 14.10.74.
172.	Manju Electrical Inds. P Ltd.	Universal Raditors @	XII	

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
173.	Marshall Sons & Co. (Mfg.) P. Ltd. Soorajmull (Sub. of Marshall Sons & Co(I) Ltd) Nagarmull*		V, VI	
174.	Martel Hammer Pharmaceutical P Ltd Appejay @		X	
175.	Matchwell Electricals P. Ltd. Baja j#		IV	MRTP: Registered since 10.2.'77.
176.	Maypar Leather Mfg. Co. P. Ltd. C		V	
177.	McDowell & Co. Ltd. (Sub. of United Breweries Ltd.)	United Breweries \$	IV	LC: "Represents the licensed capacity of one Unit and the Company's application for the C.O.B. Licence for other units are still pending with the authorities" (AR1980, p.MC.27). MRTP: Registered since 21.5.'71.
178.	Mercury Paints & Varnishes Ltd. Chia\$ (Sub. of D.M. Chia Invt. P. Ltd.)	Chia\$	XIII	LC: "The Company is registered with the Directorate of Industries, Govt. of Maharashtra as a small scale unit. Licensed capacity does not apply being a small scale unit" (AR 1979-80, p.22). MRTP: Registered since 26.10.'77.
179.	Minimax of India Ltd.	A	IV	LC: "Not applicable" (AR 1979).
180.	Modern Packagings P. Ltd. (Sub. of Jardine Henderson Ltd.)	Jardine Henderson#	VIII	MRTP: Registered since 17.10.'70.
181.	Modi Indl. Ltd.		X	(Modi Soap Works)
182.	Monotype Corp.	D	IV	LC: "No specific licence is necessary for manufacture of products mentioned above". (AR 1979 p. 16)
183.	Morarjee Gokuldas Spg. & Wvg. Co. Ltd.	Piramal\$	XIII	LC: "The licensed capacity for Pharmaceutical Division has not been given as the same is presently under the category of a Small Scale Industry, registered with the Directorate of Industries, Government of Maharashtra" (AR 1980-81, p.24).
184.	Mount Methur Pharmaceuticals P. Ltd.	Seshasayee*	IV, V, VIII, IX XII	
185.	Mulraj Khatau & Sons P. Ltd.	Khatau#	I, IV	LC: "Not required" (AR 1982). MRTP Registered since 21.10.'70.

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
186.	Muzaffarpur Hosiery Inds. Agencies P. Ltd.	Birla*	IX, XII	
187.	Nanavati Indl. Footwear Enterprises P Ltd.		VIII	The Company was sent default notice under the MRTP Act for not registering itself (Nanavati House)
188.	Marne Tulwan Mfg. P Ltd		XI, XII	The Managing Director of the Company is on the Boards of Directors of (i) Lakshmi Porcelains Ltd., (ii) Andhra Pradesh State Financial Corpn. Ltd., (iii) Madras Enamel Works Ltd., (a small scale unit), (iv) Klayman Porcelains Ltd., (v) Marne Electroweight P Ltd (vi) R.G. Foundry Forge P Ltd and (vii) Sahayak Finance & Investment Corpn. Ltd. (See Prospectus of (i))
189.	Naga Hills Tea Co Ltd (Unit Eastern Chemical Inds.)	Dharuka @	X	Dhuseri Tea and Industries Ltd, Bariely Holdings Ltd, Consolidated Funds Ltd, Dhanka Inds. P. Ltd., Blue Chips Intertrade Ltd. and Mint Investments Ltd. are part of the Dhanuka Group.
190.	Neon Signs (I) P. Ltd.	Bhimradivala\$	IV	MRTP: Registered since 31.7.75.
191.	New Standard Engg. Co Ltd	J.V. Patel @	XIII	LC: (Industrial Heat Treatment Furnaces): "Indian Furnace Company Limited is treated as a small scale industry under Industrial Licence No. MH-63/J-138 dated 16-9-1974, hence the figures of licensed and installed capacity of item No K(ii) have not been given". (AR 1979, p. 28). Indian Furnace Co Ltd became a subsidiary of the Company in 1968-69 and was amalgamated with it w.e.f. 1.1.77.
192.	Nicholas of (I) Ltd.	D	I, X	LC: The manufacturing unit at Chembur of the Indian Branch of Nicholas of India Ltd, which was transferred to the company with effect from 1st July, 1979, has installed and productive capacities of "the company has been advised (on which the Auditors have placed reliance) that the Industries (Development & Regulation) Act, 1951, does not apply to this unit and therefore the question of licensed capacity does not arise" (AR 1970-80, p.23).

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
193.	Nima Ltd. (Sub. of Jyoti Ltd.)	Amin	XIII	LC: "The company was a small scale unit and hence, the licensing provisions under the Industries (Development & Regulation) Act, 1951, were not applicable. However, due to the change in the definition of small scale unit with effect from 19-1-1980, the licensing provisions have become applicable. The Company has applied for COB licences..." (AR 1981 p. 51)
194.	Nyloc Strappings P. Ltd. (Sub. of Western India Texturizers)	Nirlon @	XIII	LC: "Not applicable being under Small Scale Industries" (AR 1981).
195.	Orient Cosmetics P Ltd	TIK @	V, VIII	
196.	Orient Pharma P Ltd	TIK @	V	
197.	P. Orr & Sons P. Ltd.	Thiagaraja\$	V	LC: "Not applicable" (1979). MRTP: Registered since 14.10.70.
198.	Packwell Inds. P Ltd	TIK @	VIII	
199.	Pandian Press Ltd. (Sub. of Madura Coats Ltd.)	Madura Coats\$	VI	MRTP: Registered since 26.10.70.
200.	Paper Products Ltd.	Talwar@	VII	LC: "Licensed capacity does not include the capacities of Hyderabad, Kalyani and Faridabad plants as these are small scale units and their capacities are not determined" (AR 1979-80, p.32).
201.	Pembril Fluid Drive Ltd. (Sub. of Another Company)	33.3% FE	XIII	LC: "The company is registered as a Small Scale Industrial Unit with the Director of Industries, Government of Maharashtra and no manufacturing capacity has been specified in the Registration Certificate issued to the Company" (AR 1982, p.18).
202.	Pepega Insulation Packaging Ltd	Thirani/Birla @	XII	LC: "Not Applicable (AR 1980-81).
203.	Photophone Ltd.	Fazalbhoy @	IX, XI, XII, XIII	LC: "The company is registered with the relevant Directors of Industries as a Small Scale Industry and hence no licensed capacity is reported." (AR 1980-81, p. 12). Formerly known as Photophone Equipments Ltd. It was a subsidiary of RCA Corpn. America in 1968. There are two foreign nationals on the Board of Directors of the Company in 1981. The Company now has a subsidiary by name Photophone Projectors Ltd.

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
204.	Pigments, Lakes & Chemicals Mfg. Co. Ltd. (Sub. of ARLabs Ltd.)		IV	IC: "Nil as the Company is not Licensed Undertaking..." (AR 1978-79, p.39).
205.	Pilani Industrial Corpn.	Birala*	IV	
206.	Plastic Products Ltd.	J.K. singhanial#	IV	IC: "Not Specified" (AR 1982). MKTP: Registered since 12.4.'71.
207.	Prabha Mills Ltd.	Kanoria B*	IV	(Castings)
208.	Precision Printers P. Ltd.	Khataus	I, IV	MKTP: Registered since 22.10.'70.
209.	Precision Tools (I) Ltd.	Macneill & Magor#	IX	MKTP: Registered since 20.10.'70.
210.	Premier Auto Electric Ltd. (Sub. of Premier Automobiles Ltd.)	Walchand#	IV	MKTP: Registered since 11.11.'70.
211.	Premier Stores Supply Co. Ltd.	Birila*	IV	
212.	Printpak Machinery Ltd. (Sub. of Paper Products Ltd.)	Talwar@	VII	IC: "Not Applicable" (AR 1978-79, p.67).
213.	Produce Exchange Corpn. Ltd.	Thapar*	IV	
214.	Pyrene Rai Metal Treatment Ltd.	C	X	IC: "Not Applicable" (AR 1980).
215.	RMT Drill P Ltd	Revathi Machinery Traders @	XI, XII	RMT Drill P Ltd, which promoted Revathi CP Equipment Ltd holds 26.7% equity shares in it. the company also transferred its industrial licence to the latter. Other companies in the group are RMT Seam P Ltd and RMT Ha Bit P Ltd. Both RMT Drill P Ltd and RMT Ha Bit P Ltd are registered with NSIC for government purchases.
216.	Radio Electric P. Ltd.	Bajaj*	I	
217.	Rajasthan Industries P. Ltd.	Birla#	IV	MKTP: Registered since 23.12.'75.
218.	Rameshwar Jute Mills	Birla#	IV	(Castings). MKTP: Registered since 31.3.'75.
219.	Rapidur (India) P Ltd	Cosme Matias @	XII	
220.	Ravindra Heraccus P. Ltd.	C	II	

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
221.	Right Aids (Orient) P Ltd	TTK @	V	
222.	Ripon Chemical Coatings P Ltd		XII	Managing Director of Himalaya Rubber Products P Ltd was a Director of this company as well as Rhotoria Valve Udyog Ltd, another small scale company (See Prospectus of Himalaya Rubber Pds, Aug. 1978)
223.	Roberts Maclean & Co. Ltd.	Birla*	X, XII	LC: "Not Applicable" (AR 1973).
224.	Roche Products P. Ltd.	E	I	
225.	Roha Metals & Chemicals Ltd. (Sub. of United Catalyst's India Ltd.)	Parent has 39% Foreign Equity	XIII	LC: "The company has registered with the Directorate of Small Scale Industries. However due to change in Government Policy registration is required with D.G.T.D." (AR 1980).
226.	Roneo Vickers (I) Ltd.	C	VII	LC: "Licensed Capacity not applicable" (AR 1980). Cf. Bombay Stock Exchange Official Directory, Weekly Supplement No. XV/45 (2/2) dated Nov. 9, 1981.
227.	Roplas (I) Ltd.	Mahindra#	XIII, XIV	LC: "Not Applicable" (AR 1980, p.18). "The company was in 1972 registered with Directorate of Small Scale Industries for the manufacture of various industrial products made out of reinforced fibreglass plastic (Prospectus issued in 1979). MRTP: Registered w.e.f. 9.3.'71. De-registered during 1979.
228.	Rourkela Industries P. Ltd.	Apeejay\$	IV, VIII	MRTP: Registered since 6.3.'78.
229.	Roussel Pharmaceuticals (I) Ltd. (Sub. of Hoechst Pharmaceuticals Ltd.)	United Breweries\$-C	I, X XIII	LC: "Not Applicable as the unit is in the Small Scale Sector. A Carry on Business Licence had been applied for. This has been received during 1976" (AR 1975, p.40). MRTP: Registered since 11.11.'71.
230.	S.D. Fine Chemicals P Ltd		XII	Chairman of the company was Chairman and Managing Director of Antifriction Bearings Corp. Ltd; Chairman of MIPCO Seamless Rings (Gujarat) Ltd; and Director of Emco Elecon (I) Ltd. and MIPCO Bearings Ltd. (See Prospectus of MIPCO Seamless Rings (Gujarat) Ltd. of April 1981).

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
231.	Sankar Electricals Ltd. (Sub. of General Electric Co. (I) Ltd.)	G.E.C. \$	VI, XII	IC: "There is no licensed capacity as the unit is a Small Scale Industry" (AR 1976). MRTP: Registered v.e.f. 28.10.'70. De-registered during 1979. (Castings Unit) MRTP: Registered since 7.12.'70.
232.	Saurashtra Chemicals (A unit of Jiyajirao Corton Mills Ltd.)	Birla#	IV	
233.	Saurashtra Paints Ltd. (Sub. of Goodlass Nerolac Paints Ltd. since 1980)	Tata\$	IV, IX, XIII	IC: "Not Applicable" (AR 1981, p.36). Auditors Report: "In our opinion and according to the information and explanations given to us, the provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits are not applicable to the Company". (AR 1983). MRTP: Registered since 31.12.'81.
234.	Savlar Paints Ltd. (Sub. of Central Paints Ltd.)		VIII, XI, XII, XIII	The parent is also a small scale unit registered for overment purchases. The company holds 12 shares of Rs. 1000 each in Bombay Synthetics P Ltd.
236.	Sawyers Asia Ltd.	C	XIII	IC: "No licence is required. The company is registered with the Director of Industries" (AR, 1979). MRTP: Registered since 21.12.'78.
237.	Sesh Alloys P. Ltd.	Seshasayee\$	IX	
238.	Shah Medical & Surgical Co. Ltd.	C	XI, XII, XIII	IC: "Not applicable as the company is registered as a SSI unit" (AR 1975).
239.	Sharpedge Ltd.	Hindustan Levers\$	IV, VIII	IC: "Not applicable" (AR 1973). MRTP: Registered since 31.3.'75.
240.	Shaw Wallace & Co.	Shaw Wallace#	IV	IC (Mixed Fertilizers): "Not applicable" (AR 1981, p.57) MRTP: Registered since 22.1.'75. MRTP: Registered since 13.4.'77.
241.	Shourie Duplicators P. Ltd.	Tata\$	IV, IX, XII, XI	
242.	Shri Ambica Mills Ltd.	Shri Ambica#	IV	(Castings). MRTP: Registered since 21.9.'71.
243.	Sigma Paints Ltd.	Khataus\$	XIII	IC: "Not applicable" (AR 1980-81, p.19 and also AR 1981-82, "The concessional rate of duty which was available to the Company, being in the Small Scale Sector, has been withdrawn and it has been bracketed with large scale companies" (AR 1976-77, Directors' Report). MRTP: Registered since 9.7.'75.

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S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
244.	Simmonds Marshall P. Ltd.	E	II	
245.	Sirdar Carbonic Gas Co. Ltd.	Thackersey#	IV	LC: "Installed Capacity includes capacity of factories for which no licences were required" (AR 1981-82, p.3). MRTP: Registered since 23.12.'76.
246.	Skefka India Bearing Co. Ltd.	Tata\$ 39.9% Foreign Equity	XIII	Lc: "The Company has no licensed capacity, but it is registered in respect of bearing sleeves with the Directorate of Industries, Government of Maharashtra, as a Small Scale Industrial Unit. The Company has no installed capacity for the production of components required for the items manufactured as these are produced by third parties under the company's supervision. The operations carried out at the Company's premises are inspection, assembly, testing, etc." (AR 1981, p.28). MRTP: Registered since 28.9.'77.
247.	Smith Kline & French (I) Ltd.	D	II, X	
248.	Snowcem India Ltd. (Sub. of Killick Nixon Ltd.)	Killick Kapadia#	IV	The company obtained C.C.B. Licence in 1977. MRTP: Registered since 19.11.'75.
249.	South Indian Export Co. Ltd.	D	V, IX	
250.	Southern Press Tools Ltd.	Universal Raditors @ XIII		LC: "No Industrial Licence is required. The company is registered as a small scale industry for manufacturing Raditor Components, Jigs, Fixtures, Precision Tools, Cutting Tools Oil Cooler parts etc." (AR 1982).
251.	Southern Pressings P. Ltd.	Chidambaram\$	XIII	Auditors Report: "The company has accepted deposits desposits from a few others but the company being a Scale Industrial Unit whose paid up capital and free reserves do not exceed Rs. 3 lakhs, Section 58A of the Companies Act and the Rules thereunder does not apply to this company" (AR 1982). MRTP: Registered since 23.4.'75.
252.	Spectrapacks P. Ltd. (Sub. of Sesthasayee Brothers P. Ltd.)	Sesthasayee\$	XIII	LC: "Licence not required" (AR 1980-81, p.26). Auditors Report: "The unsecured loans received by the Company exceed the limit prescribed under Section 58A of the Companies Act, 1956 and Rule 3 of the Companies (Acceptance of Deposits) Rules, 1975. But these provisions Contd...

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
				are not attracted by this company as it happens to be a small scale industrial unit" (p.29). MKIP: Registered since 21.12.'78.
253.	Spencer & Co. Ltd.	Spencer@	VI	Cigars, Cheroots, pipe tobacco etc.
254.	Speed - A - Way P. Ltd.	Simpson#	VI	MKIP: Registered since 27.10.'70.
255.	Sri Balaji Sugars Ltd.	Chidambaram\$	VI	MKIP: Registered since 23.4.'75.
256.	Stanes Motor (South India) Ltd. (Sub. of Simpson & Co. Ltd.).	Simpson#	IV, VI	MKIP: Registered since 22.10.'70.
257.	Stanes Tyre & Rubber Products Ltd. (Sub. of Simpson & Co. Ltd.)	Simpson#	IV	IS: "Not applicable" (AR 1980-81, p-STR 23). MKL: Registered since 20.10.'70. The company is a shareholder in the Cheranadu Small Scale Industrial Service Co-operative Society Ltd. and The North Arcot District Small Industries Service Industrial Co-operative Society Ltd.
258.	Stencils & Stencils Ltd.		XI, XII	1000 shares (14%) of the company are held by Subarna Plantations % Tdg. Co. Ltd.
259.	Suessen Textile Ball Bearings Products P. Ltd.	26% Foreign Equity	VIII	
260.	Suhrid Ceigy Tdg. P. Ltd.	Sarathai#	I	MTT: Registered since 6.11.'70.
261.	Sundaram Inds. P. Ltd.	TVS#	IV, V	MR.P: Registered since 30.10.'70.
262.	Sundarams P. Ltd.	TVS#	IV, V	I..JT: Registered since 24.10.'70.
263.	Super Tubes P Ltd	Ajanta Tube @	IX	
264.	Tacks P. Ltd.	Kothari D.C.*	II	
265.	Testeeels Ltd.	Sonaiya\$	IV	(Castings Unit). MKIP: Registered since 9.1.'76.
266.	Textile Engravers Ltd.	Mafatlal*	I	
267.	Thana Electric Supply Co Ltd	Bombay Suburban\$/ Kapadia R*	XII	L.T.E. Co Ltd. a small scale unit, was amalgamated with the company, hence the formation of the ETE Transformer Division. The company is registered with Contd...

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1		2	3	4
268.	Thyristor Controls P Ltd	Reliance Textiles	\$ XII	the NSIC for supplying Transformers under the Government Purchase Scheme. It has a subsidiary southern Switchgear Ltd. MRTP: Registered on 29.3.75. De-registered during 1978.
269.	Time Aids (I) P Ltd	TKK @	V, VIII	MRTP: Registered since 25.11.78.
270.	Tortois P. Ltd.	TKK @	V	
271.	Tracks P. Ltd.	Kilachand#	IV	TKL: Registered since 22.4.'75.
272.	Travancore Tea Estate Co. Ltd.	C	IV	Peermade Foundry (repair of tea machinery).
273.	Trichy Everest Automobiles P. Ltd. Chidambaram	\$	V	IC: "Not applicable" (AR 1982). MRTP: Registered since 18.4.'75.
274.	Tri - Sure (I) Ltd.	E	I	IC: "Not applicable" (AR 1980-81).
275.	Tyresoles Concessionaires P Ltd.	B	I, IV, IX	LC: "Not applicable" (AR 1981).
276.	U.S. Vitamin & Pharmaceuticals Corp. (I) Ltd.	C	IX, X	
277.	Unval Industries Ltd.	Tata*	IX, XI, XII, XIII	IC: "Registered under Small Scale Industry — capacity not indicated" (AR 1975, p.14).
278.	Universal Carbon Ltd.		XI, XII	183) shares (24%) of the company are held by Subarna Plantations & Tdg. Co. Ltd.
279.	Universal Heat Exchangers Ltd	Universal Raditors	@ XIII	IC: "No Industrial Licence is required. The Company has been registered with Department of Industries & Commerce as a Small Scale Industry for manufacturing Heat Exchangers, Oil Cooler, Inter Collers Etc" (AR 1981).
280.	Usha Die Casting P. Ltd.	Jhavar @	XII	
281.	Vertex Mfg. Co. Ltd.	Vissanji*	IV, IX	IC: "This unit is not covered under Industries (Development & Regulation) Act, 1951. Hence, this is not applicable" (AR 1974-75).

Contd...

S. No.	Name of the Company	House/Foreign Association	Source(s) of Information	Remarks
1	2	3	4	
282.	Vickers India	E	VII	
283.	Vinar P. Ltd.	Birla*	IV	
284.	Vitro Pharma Products Ltd. (Sub. of Bombay Burmah Tdg. Corpn. Ltd.)	Wallace*	IV, VIII, IX, XIII	IC: "The company is a small scale unit registered with the Director of Industries, Bombay and therefore, its manufacturing capacity has not been licensed." (AR 1982, p.5-46).
285.	W.J. Bush Products P. Ltd.	Parry* --- A	V	
286.	W.T. Suren & Co. (I) Ltd. (Sub. of Rallis India Ltd.).	Rallis#	XIII	IC: "Not applicable as the Company is covered under the small scale industries" (AR 1975, p.59). MRTP: Registered since 19.5.71.
287.	Webel Jyoti Power Electronics Ltd.	Amin\$	XIV	"The company has been registered as a small scale industry... with Directorate of Cottage & Small Scale Industries, Government of West Bengal..." (Prospectus of the Company issued in 1979). MRTP: Registered since 24.2.1982.
288.	West's Patent Press Co. Ltd.	D	IV	
289.	Whiffens (I) Ltd.	Tata*/Rallis\$--E	X	MRTP: Registered since 26.5.75.
290.	Willcox (Buckwell India) Ltd. (Sub. of Larsen & Toubro Ltd.)	L&T	IV	
291.	Wire Crafts Ltd.	Bangur*	IV	
292.	Yashwan Engineers Ltd.	Tata@	IX, XI, XII	IC: "Not stated in Licence" (AR 1980, p.16).

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